No securities regulatory authority has expressed an opinion about the securities offered hereunder and it is an offence to claim otherwise.

*This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The offer and sale of these securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**United States Securities Act**") or any state securities laws. Accordingly, these securities may not be offered or sold within the United States or to, or for the account of or benefit of, a U.S. Person (as such term is defined in Regulation S under the United States Securities Act) in the absence of an exemption from the registration requirements of the United States Securities Act and applicable state securities laws, and this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. No hedging transactions may be completed with respect to these securities except in compliance with the United States Securities Act. See "Plan of Distribution". To the extent, if any, that the securities offered hereby are offered and sold to or for the account or benefit of persons in the United States or to U.S. Persons, the securities will only be offered and sold pursuant to an applicable exemption from registration under the U.S. Securities Act. See "Plan of Distribution—Concurrent Private Placements".*

*This prospectus will not be distributed in the United Kingdom except to certain qualified investors (as defined in Section 86(7) of the United Kingdom Financial Services and Markets Act 2000, as amended (the "**FSMA**")) who are acting as principal (or in circumstances where Section 86(2) of FSMA applies) and who also fall within one of the categories of persons referred to in Articles 19 (Investment professionals) or 49 (High net worth companies, unincorporated associations, etc.) in the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "**Financial Promotion Order**"). This prospectus is not a prospectus for the purposes of Section 85(1) of FSMA. Accordingly, this prospectus has not been approved by the United Kingdom Financial Services Authority ("**FSA**") under Section 87A of FSMA, has not been filed with the FSA pursuant to the United Kingdom Prospectus Rules nor been approved by a person authorized under FSMA.*

Initial Public Offering **November 3, 2010**

PROSPECTUS

GREENFIELDS PETROLEUM CORPORATION

CDN$35,997,500

4,235,000 Common Shares at CDN$8.50 per Common Share

Greenfields Petroleum Corporation (the "Corporation") hereby offers for sale 4,235,000 shares of common stock in the capital of the Corporation ("Common Shares") at a price of CDN$8.50 per share (the "Offering Price"). The Corporation has engaged FirstEnergy Capital Corp. (the "Lead Agent" or "FirstEnergy"), Raymond James Ltd. and Haywood Securities Inc. (together with the Lead Agent, collectively, the "Agents") to act as the Corporation's agents in connection with the sale of the Common Shares on a commercially reasonable efforts basis. The Offering Price for the Common Shares was determined by negotiation between the Corporation and the Lead Agent, on behalf of the Agents. See "*Plan of Distribution*".

Price: CDN$8.50 per Common Share

	Offering Price	Agents' Commission(1)	Net Proceeds to the Corporation(2)(3)
Per Common Share	CDN$8.50	CDN$0.51	CDN$7.99
Total Offering(4)(5)	CDN$35,997,500	CDN$2,159,850	CDN$33,837,650

Notes:

(1) The Corporation has retained the Agents to solicit subscriptions for the Common Shares on a commercially reasonable efforts basis. The Agents will receive a commission equal to 6% of the gross proceeds of the Offering. The Agents will also be reimbursed for their reasonable fees and expenses and the reasonable fees of legal counsel to the Agents plus applicable taxes and disbursements.

(2) Before deducting the expenses of the Offering, estimated to be CDN$675,000 (including the legal fees and expenses of the Agents), which expenses, together with the Agents' commission, will be paid by the Corporation out of the gross proceeds of the Offering.

(3) The Corporation has also granted to the Agents an option (the "**Over-Allotment Option**") to purchase, subject to the Offering being fully subscribed, up to an aggregate number of Common Shares equal to 15% of the total number of Common Shares sold pursuant to this Offering at the Offering Price for a period expiring 30 days following the Closing Date, to cover over-allotments, if any, and for market stabilization purposes. This prospectus qualifies both the grant of the Over-Allotment Option and the issuance of the Common Shares that may be issued on the exercise of the Over-Allotment Option. A purchaser who acquires Common Shares forming part of the Agents' over-allocation position acquires those Common Shares under this prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases.

(4) 4,235,000 Common Shares (4,870,250 Common Shares if the Over-Allotment Option is exercised in full) are offered hereunder.

(5) Management of the Corporation and the Agents estimate that, of the Offering gross proceeds of CDN$35,997,500, CDN$27,997,500 will be raised pursuant to the Canadian Offering (as defined herein) and CDN$8,000,000 will be raised pursuant to the Concurrent Private Placements (as defined herein). However, there can be no assurances of the actual allocation of the gross proceeds between the Canadian Offering and the Concurrent Private Placements until the Offering is completed.

The following table sets forth the maximum number of Common Shares issuable pursuant to the Over-Allotment Option.

Agents' Position	Maximum size and number of securities available	Exercise Period	Exercise Price
Over-Allotment Option	Up to 635,250 Common Shares	Until 30 days following the closing of the Offering	CDN$8.50

The TSX Venture Exchange Inc. ("TSXV") has conditionally approved the listing of the Common Shares. Listing of the Common Shares is subject to the Corporation fulfilling all of the listing requirements of TSXV. As of the date hereof, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange ("TSX"), a United States marketplace, or a marketplace outside of Canada and the United States of America, other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc. See "Risk Factors". The Corporation has no current intention to apply to list the Common Shares on any stock exchange or market other than TSXV. In connection with this Offering, the Agents may, subject to applicable laws, effect transactions that stabilize or maintain the price of the Common Shares at levels other than those which otherwise might prevail on the open market. See "Plan of Distribution".

An investment in the Common Shares should be considered highly speculative due to the nature and early stage of development of the Corporation's business. The Corporation's business is subject to the risks normally encountered in the oil and gas industry and the Corporation's early stage of development. The Corporation has no history of earnings. The Corporation has no current intention to pay any dividends on its Common Shares. **There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus**. **This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation**. As a result of these and other factors set forth in this prospectus, this Offering is suitable only to investors who are able to make long-term investments and who can afford to risk the loss of their entire investment. All statements regarding the Corporation's business should be viewed in light of these risk factors. See "*Risk Factors*".

Investors are advised to consult their own legal and tax advisors with respect to the Offering and the purchase of Common Shares.

The Agents hereby offer for sale, on a commercially reasonable efforts basis as agents on behalf of the Corporation, 4,235,000 Common Shares at the Offering Price. The Common Shares are conditionally offered, subject to prior sale, if, as and when issued and delivered by the Corporation and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under "*Plan of Distribution*" and subject to the approval by Burstall Winger LLP, on behalf of the Corporation, and by McCarthy Tétrault LLP, on behalf of the Agents, of such legal matters for which approval is specifically sought by the Corporation or the Agents.

Subscriptions will be received subject to rejection or allotment in whole or in part, and the Agents reserve the right to close the subscription books at any time without notice. The completion of the sale and issuance of the Common Shares under the Offering (the "Closing") will take place on such day or days as the Agents and the Corporation may mutually agree upon (each, a "Closing Date"). It is expected that the Closing will occur on or about November 16, 2010 or such other date as may be agreed to by the Corporation and the Agents, but in any event no later than 90 days following the issuance of a final receipt by the applicable securities regulatory authorities in connection with the filing of this prospectus. The Closing of the Offering is conditional upon receipt of subscription funds for 4,235,000 Common Shares. The Agents, pending Closing of the Offering, will hold in trust all subscription funds received pursuant to the provisions of the Agency Agreement. In the event that subscription funds for 4,235,000 Common Shares are not received and accepted by the date that is 90 days following the issuance of a final receipt by the applicable securities regulatory authorities in connection with the filing of this prospectus, the subscription funds received by the Agents will be returned to subscribers, without interest or deduction, unless such subscribers have instructed the Agents otherwise. Certificates representing the Common Shares that are issued in Canada will be issued in registered form to CDS Clearing and Depository Services Inc. ("CDS") or its nominee and will be deposited with CDS on the Closing Date. Purchasers will receive only a customer confirmation from the registered dealer through which Common Shares are purchased. In connection with the Offering and subject to applicable securities laws, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the

Common Shares at levels other than those which may prevail in the open market. See "*Plan of Distribution*".

Investors should rely only on the information contained in this prospectus. The Corporation has not authorized anyone to provide investors with different information. The Corporation is not offering the Common Shares in any jurisdiction in which the offer is not permitted. Investors should not assume that the information contained in this prospectus is accurate as of any date other than the date of this prospectus. Subject to the Corporation's obligations under applicable securities laws, the information contained in this prospectus is accurate only as of the date of this prospectus regardless of the time of delivery of this prospectus or any sale of the Common Shares.

The Board of Directors of the Corporation has authorized management to review, consider and, if deemed appropriate, implement, any structuring alternatives available to the Corporation to eliminate or minimize the application of Regulation S under the United States Securities Act and the resale restrictions contained therein including, without limitation, continuing the Corporation into a jurisdiction outside the United States. There is no guarantee that any such structuring alternatives will be implemented and, if not, the Corporation will continue to be subject to the restrictions summarized under the heading "*Plan of Distribution - United States Securities Act and Regulation S*" of this prospectus. The implementation of these alternatives will likely require the approval of the majority of the holders of the Corporation's Common Shares.

The Corporation is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada. Each of John W. Harkins, Mark N. Witt, Alex T. Warmath and Richard E. MacDougal, who are signing the Certificate of the Corporation for this prospectus, resides outside of Canada. The Corporation and each of the persons described above have appointed Burstall Winger LLP, Suite 1600, 333 - 7 Avenue S.W., Calgary, Alberta as its agent(s) for service of process in Calgary, Alberta; however, it may not be possible for investors to enforce judgments obtained in Canada against the Corporation or the persons described above.

CONCURRENT PRIVATE PLACEMENTS

United States

As part of the Offering and concurrently with the portion of the Offering constituting a distribution of the Common Shares within Canada pursuant to this prospectus (the "**Canadian Offering**") and the International Private Placement described below, the Corporation will be making an offer of Common Shares in the U.S. to certain U.S. Persons at the Offering Price, as discussed in more detail in "*Plan of Distribution*", in reliance on Regulation D under the United States Securities Act (the "**U.S. Private Placement**"). The Common Shares to be issued under the Canadian Offering and the International Private Placement described below will be offered and sold in reliance on an exemption from registration provided by Regulation S under the United States Securities Act. The Common Shares to be issued under the Concurrent Private Placement are qualified by this prospectus.

Outside Canada and the United States

As part of the Offering and concurrently with the Canadian Offering and the U.S. Private Placement, the Corporation will be making an offer of Common Shares outside of the U.S. and Canada to at the Offering Price, or for the benefit or account of, persons not constituting U.S. Persons (as defined in Regulation S under the United States Securities Act), as discussed in more detail in "*Plan of Distribution*", in reliance on Regulation S under the United States Securities Act (the "**International Private Placement**" and together with the U.S. Private Placement, the "**Concurrent Private Placements**"). The Common Shares to be issued under (i) the Canadian Offering and the International Private Placement will be sold in reliance on an exemption from registration provided by Regulation S under the United States Securities Act and (ii) the U.S. Private Placement will be offered and sold in reliance on an exemption from registration provided by Regulation D under the United States Securities Act.

NOTICE OF ADDITIONAL SECURITIES LAWS

The distribution of this document in jurisdictions other than Canada may also be restricted by law.

Persons who receive this document should inform themselves as to: (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Common Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Common Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Common Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or other related matters concerning the Corporation and their investment therein. Statements made in this document are based on the law and practice currently in force in the jurisdictions set out below and are subject to change.

United States

The offer and sale of these securities have not been and will not be registered under the United States Securities Act or any state securities laws. Accordingly, these securities may not be offered or sold within the United States or to a U.S. Person (as such term is defined in Regulation S under the United States Securities Act) in the absence of an exemption from the registration requirements of the United States Securities Act and applicable state securities laws, and this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. No hedging transactions may be completed with respect to these securities except in compliance with the United States Securities Act. See "*Plan of Distribution*".

United Kingdom

This prospectus is being and may be distributed to and directed at persons in or into the United Kingdom but only to certain to persons who are "qualified investors" within the meaning of Section 86(7) of the FSMA who are acting as principal (or in circumstances where Section 86(2) of FSMA applies) and who also fall within one of the categories of persons referred to in Article 19 (Investment professionals) or Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order (all such persons together being referred to as "relevant persons"). The securities being offered hereunder are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons in transactions thereby permitting the marketing and offering of the Units and the distribution of this prospectus without (i) breach of Section 21 of FSMA, (ii) the need for a prospectus to have been approved by the FSA under Section 87A of FSMA, (iii) the need for a prospectus to have been filed with the FSA pursuant to the United Kingdom Prospectus Rules, or (iv) the need for a prospectus to have been approved by a person authorized under FSMA. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document is not a prospectus for the purposes of Section 85(1) of FSMA. Accordingly, this prospectus has not been approved as a prospectus by the FSA under Section 87A of FSMA and has not been filed with the FSA pursuant to the United Kingdom Prospectus Rules nor has it been approved by a person authorized under FSMA.

There are tax considerations and risks applicable to investors acquiring Common Shares pursuant to this Offering who are resident or ordinarily resident in the United Kingdom for tax purposes. Accordingly, investors resident in the United Kingdom for tax purposes should consult their own tax advisors having regard to their own particular circumstances.


Russia
Kazakhstan
Uzbekistan
Georgia
Caspian Sea
Armenia
Azerbaijan
Turkmenistan
Turkey
Iran
Iraq
Gum Deniz Oil Field
and
Bahar Gas Field
0
125
250
375
500
Kilometers

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GLOSSARY

The following definitions apply throughout this prospectus unless otherwise stated or the context otherwise requires:

"**Agency Agreement**" means the agency agreement dated effective September 30, 2010 among the Corporation and the Agents, pursuant to which the Corporation has engaged the Agents to act as the Corporation's agents in connection with the Offering, on a commercially reasonable efforts basis;

"**Agents**" means, collectively, FirstEnergy, Raymond James and Haywood;

"**Agents' Commission**" means a fee equal to 6% of the gross proceeds of the Offering (including the gross proceeds of the sale of any Common Shares pursuant to the Over-Allotment Option);

"**Audit Committee**" means the audit committee of the Board of Directors of the Corporation;

"**Azerbaijan**" means the Republic of Azerbaijan;

"**Baghlan**" means Baghlan Group FZCO, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE;

"**Bahar Energy**" means Bahar Energy Limited, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE owned as to 33.33% indirectly by the Corporation;

"**Bahar Gas Field**" means the gas field located in the offshore Caspian Sea area of Azerbaijan that is the subject of the ERDPSA and contains approximately 204 offshore wells;

"**Bahar Gas Sales Agreement**" means the gas sales agreement dated September 24, 2010 effective October 1, 2010 between SOCAR and BEOC on behalf of the Contractor Parties in respect of the sales of natural gas from the Bahar Gas Field;

"**Bahar Oil Sales Agreement**" means the oil sales agreement dated September 24, 2010 effective October 1, 2010 between SOCAR and the Contractor Parties in respect of the sales of oil from the Gum Deniz Oil Field;

"**Bahar Project**" means the wells, lands, reserves, facilities, equipment and other assets that are subject to the ERDPSA, including the Bahar Gas Field and the Gum Deniz Oil Field;

"**Bahar Shareholders Agreement**" means the shareholders agreement entered into among the shareholders of Bahar Energy dated October 21, 2009, as amended;

"**BEOC**" means Bahar Energy Operating Company Limited, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE owned 80% by Bahar Energy and 20% by SOCAR on behalf of SOA, which company was formed for the purpose of conducting operations on behalf of the Contractor Parties under the ERDPSA in accordance with the terms of the Joint Operating Agreement;

"**Board**" or "**Board of Directors**" means the board of directors of the Corporation;

"**Bunga Mas PSC**" means the Bunga Mas production sharing contract in respect of certain prospective oil properties located onshore in South Sumatra, Indonesia;

"**Canadian GAAP**" means accounting principles generally accepted in Canada;

"**Canadian Offering**" means that portion of the Offering constituting a distribution of the Common Shares within Canada pursuant to this prospectus;

"**Carry**" means the obligations of Bahar Energy to carry the costs attributable to SOA's 20% participating interest in respect of:

(a) operations in the Rehabilitation Area from the effective date of the ERDPSA until the production from the Rehabilitation Area equals two times the 2008 production levels as provided in the ERDPSA; and
(b) operations in the Exploration Area from the effective date of the ERDPSA until the commencement date of commercial production from the Exploration Area.

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**Closing Date**" means the date or dates on which the Corporation completes the sale and issuance of Common Shares pursuant to the Offering, the first such date expected to occur on or about November 16, 2010, or such later date as the Corporation and the Agents may agree;

"**Common Shares**" means the shares of common stock, par value US$0.001 per share, in the capital of the Corporation;

"**Compensation Units**" means the 60,000 Units issued by the Corporation to FirstEnergy and Raymond James as payment of commission in connection with the February 2010 Private Placement;

"**Concurrent Private Placements**" means the International Private Placement and the U.S. Private Placement;

"**Contractor Parties**" means, collectively, SOA and Bahar Energy as contractor under the ERDPSA;

"**Corporation**" or "**GPC**" means Greenfields Petroleum Corporation;

"**CSA**" means the Canadian Securities Administrators**;**

"**Delaware Act**" means the General Corporation Law of the State of Delaware**;**

"**Deloitte**" means Deloitte & Touche LLP;

"**ERDPSA**" means the exploration, rehabilitation, development and production sharing agreement in respect of the Bahar Project, which includes the Bahar Gas Field and the Gum Deniz Oil Field, dated December 22, 2009 among Bahar Energy, SOCAR and SOA;

"**February 2010 Private Placement**" means the private placement of 1,000,000 Units at a price of CDN$5.00 per Unit for gross proceeds of CDN$5,000,000 completed by the Corporation on February 24, 2010;

"**FMSA**" means the United Kingdom Financial Services and Markets Act 2000, as amended;

"**Former LTIP**" means the long term incentive plan of the Corporation adopted by the predecessor to the Corporation, Greenfields LLC, and which program has now been terminated and under which no further grants will be made;

"**FSA**" means the United Kingdom Financial Services Authority;

"**GFI**" means GFI Oil and Gas Corporation;

"**GFPI**" means GFPI-USA, LLC;

"**GPC Subsidiaries**" means, collectively, GFPI; Greenfields Petroleum USA, LLC; Greenfields Petroleum Holdings Ltd.; Greenfields Petroleum International Company Ltd.; Greenfields Petroleum (Indonesia) Company Ltd.; Gabon Kiarsseny Marin Ltd.; Bahar Energy; and BEOC;

"**Greenfields LLC**" means Greenfields Petroleum, LLC;

"**Gum Deniz Oil Field**" means the oil field located in the offshore Caspian Sea area of Azerbaijan that is the subject of the ERDPSA, and contains approximately 484 offshore wells;

"**Haywood**" means Haywood Securities Inc.;

"**International Private Placement**" means the separate offer of Common Shares outside the United States and Canada to, or for the benefit or account of, persons not constituting U.S. Persons (as defined in Regulation S under the United States Securities Act), as discussed in more detail in "*Plan of Distribution*", in reliance on Regulation S under the United States Securities Act;

"**IPO**" has the meaning ascribed thereto under the heading "*Business of the Corporation - General Development of the Business*";

"**IPO Price**" has the meaning ascribed thereto under the heading "*Business of the Corporation - General Development of the Business*";

"**Joint Operating Agreement**" means the joint operating agreement for the Bahar Gas Field and the Gum Deniz Oil Field between Bahar Energy, SOA and BEOC entered into for the purpose of regulating operations under the ERDPSA.

"**Kansas Assets**" means the Corporation's indirect interest in certain petroleum and natural gas assets located in the State of Kansas in the United States;

"**Lead Agent**" or "**FirstEnergy**" means FirstEnergy Capital Corp.;

"**Liquidity Entitlement**" has the meaning ascribed thereto under the heading "*Business of the Corporation - General Development of the Business*";

"**Miller Lents**" means Miller and Lents, Ltd., independent oil and gas reserve engineers based in Houston, Texas;

"**Miller Lents Report**" means the independent evaluation dated May 3, 2010 prepared by Miller Lents evaluating the reserves contained in the Bahar Project effective April 1, 2010, as well as the Corporation's indirect interest in such reserves, assuming that the ERDPSA had become effective by that date;

"NI 41-101" means National Instrument 41-101 - *General Prospectus Requirements;*

"**NI-51-101**" means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

"**NI-52-110**" means National Instrument 52-110 - *Audit Committees*;

"**Offering**" means the Canadian Offering and the Concurrent Private Placements, and where applicable includes the Over-Allotment Option;

"**Offering Price**" means the offering price of CDN$8.50 per Common Share;

"**Options**" means the incentive stock options of the Corporation;

"**Option Plan**" means the stock option plan of the Corporation adopted by the Board of Directors of the Corporation on April 8, 2010, as amended;

"**Over-Allotment Option**" means the over-allotment option the Corporation has granted to the Agents to purchase, subject to the Offering being fully subscribed, up to an aggregate number of Common Shares equal to 15% of the total number of Common Shares sold pursuant to this Offering at the Offering Price for a period expiring 30 days from the Closing Date;

"**Principals**" means all persons or companies that will, on the completion of the Offering, fall into at least one of the following categories: (i) directors and/or senior officers of the Corporation; (ii) promoters of the Corporation; (iii) those who own and/or control more than 10% of the voting securities of the Corporation immediately after the completion of the Offering if they also have appointed or have the right to appoint one or more of the directors or senior officers of the Corporation; (iv) those who own and/or control more than 20% of the voting securities of the Corporation immediately after the completion of the Offering; and (v) associates and affiliates of any of the above;

"**PSA**" means a production sharing agreement;

"**RAFI**" means RAFI Oil FZE, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE;

"**Raymond James**" means Raymond James Ltd.;

"**September 2010 Private Placement**" means the private placement of 1,984,077 Common Shares, at a price of $6.50 per share for gross proceeds of CDN$12,896,500 completed by the Corporation on September 14, 2010;

"**September 2010 Agency Agreement**" means the agency agreement dated effective August 23, 2010 entered into among the Corporation and the Agents in connection with the September 2010 Private Placement;

"**SOA**" means SOCAR Oil Affiliate;

"**SOCAR**" means the State Oil Company of the Republic of Azerbaijan;

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as the same may be from time to time amended;

"**TSXV**" means the TSX Venture Exchange Inc.;

"**UAE**" means the United Arab Emirates;

"**Unit**" means a unit of the Corporation, each such unit consisting of one Common Share and one-half of one Warrant;

"**United States Securities Act**" means the United States Securities Act of 1933, as amended;

"**U.S.A.**" or "**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;

"**U.S. Private Placement**" means the separate offer of Common Shares in the U.S. to certain U.S. Persons, as discussed in more detail in "*Plan of Distribution*", in reliance on Regulation D under the United States Securities Act; and

"**Warrant**" means a share purchase warrant of the Corporation comprising part of the Units, each whole Warrant entitling the holder thereof to acquire one Common Share, at a price of CDN$5.00 per share (subject to adjustment in certain events), until February 24, 2012.

GLOSSARY OF TECHNICAL TERMS

The following is a glossary of terms and abbreviations that appear in this prospectus:

"**API**" means American Petroleum Institute units of specific gravity of liquid petroleum;

"**crude oil**" or "**oil**" means a mixture that consists mainly of pentanes and heavier hydrocarbons that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated. It does not include gas;

"**field**" means an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition;

"**gas**" or "**natural gas**" means a gas consisting primarily of methane and includes both associated and non-associated gas, and all of its constituent elements, but does not include crude oil;

"**lead**" means an identified potential hydrocarbon trap which requires further work before becoming a drill-ready prospect;

"**petroleum**" means crude oil, gas and liquefied petroleum gas;

"**PIIP**" means Petroleum Initially-In-Place;

"**reserves**" means those quantities of oil and gas anticipated to be economically recoverable from discovered resources;

"**reservoir**" means a porous and permeable underground formation containing a natural accumulation of producible oil or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs; and

"**working interest**" means an interest in a concession agreement which is subject to the payment of expenses, generally in proportion to the interest held.

ABBREVIATIONS

	Crude Oil and Natural Gas Liquids		**Natural Gas**
bbl	barrel	Mcf	thousand cubic feet
bbl/d	barrels per day	MMcf	million cubic feet
Mbbl	thousands of barrels	Bcf	billion cubic feet
MMbl	millions of barrels	Mcfd	thousand cubic feet per day
boe	barrels of oil equivalent includes of crude oil barrels plus natural gas, unless otherwise indicated	MMcfd GJ	million cubic feet per day gigajoule
boepd	barrels of oil equivalent per day	md	millidarcy
Mboe	thousand boe		
NGL	natural gas liquids		
MMBtu	million British thermal units		
Mbc	thousands of barrels of condensate		
Bcpd	Barrels of condensate per day		

CONVERSIONS

The following table sets forth certain standard conversions from Standard Imperial units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Thousand cubic metres	0.0282
Thousand cubic metres	Mcf	35.494
bbl	Cubic metres ("**m3**")	0.159
Cubic metres	bbl	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres ("**km**")	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

For additional technical terms, measures and abbreviations used in this prospectus, see the section entitled "Glossary of Technical Terms".

EXCHANGE RATES

Except as otherwise indicated, all dollar amounts referenced in this prospectus are expressed in Canadian dollars. The following table sets forth: (i) the rates of exchange for United States dollars expressed in Canadian dollars, in effect at the end of each of the periods indicated; and (ii) the average of exchange rates during such periods, in each case based on the noon rate reported by the Bank of Canada.

	Period from January 1, 2010 to October 29, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Rate at end of period	1.0188	1.0544	1.2246
Average noon spot rate during period	1.0341	1.1415	1.0660

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus, particularly statements regarding future economic performance and finances, plans, expectations and objectives of management, are "forward-looking" statements which reflect the Corporation's current views with respect to future events and financial performance. When used in this prospectus, such forward-looking statements use words such as "may", "would", "could", "will", "expect", "believe", "anticipate", "plan", "intend", "estimate", "project", "continue" and other similar terminology of a forward-looking nature or negatives of those terms. Although management of the Corporation believes that the expectations reflected in such forward-looking statements are reasonable, all forward-looking statements address matters that involve known and unknown risks, uncertainties, assumptions, and other factors. In particular, this prospectus contains forward-looking statements and forward-looking information pertaining to the following, among others:

- closing of the Offering;
- the use of proceeds of the Offering;
- capital expenditure programs and other expenditures;
- estimates, generally and the quality and quantity of future revenues derived from the Corporation's reserves;
- performance characteristics of the Corporation's property and assets;
- oil and natural gas production levels;
- planned development of oil and gas properties;
- projections of commodity prices, foreign currency exchange rates and interest rates and costs;
- supply and demand for crude oil and gas;
- expectations regarding the Corporation's ability to raise capital and to continually add reserves through acquisitions, exploration and development;
- schedules and timing of certain projects and the Corporation's strategy for growth;
- treatment under governmental and other regulatory regimes and tax, environmental and other laws;
- schedules and timing of certain projects and the Corporation's strategy for growth;
- the Corporation's future operating and financial results;
- dependence on personnel; and
- operating risk liability.

With respect to forward-looking information contained in this prospectus, the Corporation has made assumptions regarding, among other things:

- the required capital to meet the expected costs under the projected drilling program;
- management's estimates and budgeted costs of seismic, site preparation, drilling services and infrastructure based on readily available industry information;
- that the Corporation will not incur significant unexpected operating expenses;
- future prices for crude oil and natural gas;
- future crude oil and natural gas production levels;
- the ability to transport and market oil and natural gas production;
- the Corporation's ability to contract or obtain equipment or services as required, in a timely manner to carry out its projected drilling program;
- the future performance of contract drilling rigs;
- completion of the drilling program as planned and within the required drilling timetable;
- reliance by management on the third party consultants;
- the knowledge, experience and associations of management in the oil industry and particularly in Azerbaijan;
- reliance upon the financial and work obligations contained in the ERDPSA; and
- the existing governmental regulatory regime in Azerbaijan and other jurisdictions remaining unchanged.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of, among other things, the risk factors set forth below and elsewhere in this prospectus:

- the Corporation's inability to raise sufficient net proceeds under both this Offering and in the future given the Corporation's substantial capital requirements;
- the Corporation drilling or completing wells that yield uneconomic reserves of hydrocarbons;

- the Corporation's inability to obtain drilling and completion services and equipment in sufficient time to meet expiration deadlines;
- uncertainties associated with the Corporation's operations in Azerbaijan, including political and legal framework instability;
- competition in the oil and gas industry;
- the Corporation's operational dependency on other companies;
- a material decline in crude oil prices; and
- the other factors discussed under the heading "*Risk Factors*".

These factors should not be construed as exhaustive. Readers are cautioned that the factors and risks set out above are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Consequently, there is no representation by the Corporation that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements and forward-looking information. Furthermore, the forward-looking statements and forward-looking information contained in this prospectus are made as of the date hereof, and neither the Corporation nor the Agents undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements and forward-looking information contained herein are expressly qualified by this cautionary statement.

GENERAL MATTERS

This prospectus includes market share information and industry data and forecasts regarding the global crude oil and gas market, or the Corporation's position therein, which were obtained or derived from independent industry publications, reports, articles and surveys, as more particularly described herein. In relation to these sources, such information has been accurately reproduced from the information published by the third parties referred to above and, as far as the Corporation is aware and is able to ascertain from the information furnished by the providers of these sources, no facts have been omitted that would render such information inaccurate or misleading. References in this prospectus to research reports, surveys or articles should not be construed as depicting the complete findings of the entire referenced report or article. The information in any such report, survey or article is not incorporated by reference into this prospectus.

Although management believes these sources to be reliable, neither the Corporation nor the Agents have independently verified any of the data nor ascertained the underlying economic assumptions relied upon therein. Some of the data is also based on the Corporation's estimates, which are derived from its review of internal surveys, as well as independent sources. The Corporation cannot and does not provide an assurance as to the accuracy or completeness of such included information. Market forecasts, in particular, are likely to be inaccurate, over long periods of time.

For an explanation of certain technical terms and abbreviations used in this prospectus, see "*Glossary of Technical Terms*" commencing at page vi.

For reporting purposes, the Corporation prepares its financial statements in United States dollars and in conformity with Canadian GAAP.

In this prospectus, references to "CDN$" are to Canadian dollars and references to "US$" are to United States dollars.

ELIGIBILITY FOR INVESTMENT

In the opinion of Burstall Winger LLP, counsel to the Corporation, and McCarthy Tétrault LLP, counsel to the Agents, based on the provisions of the *Income Tax Act* (Canada) and the regulations promulgated thereunder (the "**Tax Act**") in force on the date hereof, and subject to the provisions of any particular Exempt Plan (as defined below), provided that the Common Shares are listed on a "designated stock exchange" within the meaning of the Tax Act (which currently includes TSXV) at the time of the acquisition of the Common Shares by an Exempt Plan, the Common Shares will be a "qualified investment" under the Tax Act for trusts governed by registered retirement savings plans, registered education savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans and tax-free savings accounts (a "**TFSA**") (collectively, "**Exempt Plans**") . Notwithstanding that the Common Shares may be a qualified investment for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax on the Common Shares held in the TFSA if such Common Shares are a "prohibited investment" for the purposes of section 207.01 of the Tax Act. The Common Shares will generally be a "prohibited investment" if the holder of the TFSA does not deal at arm's length with the Corporation for the purposes of the Tax Act or has a "significant interest" (as defined in the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm's length for the purposes of the Tax Act.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. See "Glossary", "Glossary of Technical Terms", "Conversions" and " Abbreviations" for terms and rates used in this summary and elsewhere in this prospectus.

Background of the Corporation

The Corporation was formed on November 28, 2007 as Greenfields Petroleum, Inc., a corporation formed under the laws of the State of Texas. On April 4, 2008, the Corporation was converted pursuant to a Certificate of Conversion to Greenfields Petroleum, LLC ("**Greenfields LLC**"), a limited liability company formed under the laws of the State of Texas. Pursuant to a resolution passed by the board of Greenfields LLC on January 8, 2010, the outstanding units were split on the basis of 1.5 new units for each outstanding unit. On February 19, 2010, pursuant to a Certificate of Conversion, Greenfields LLC was converted back to a corporation named Greenfields Petroleum Corporation formed under the laws of the State of Delaware.

The head office of the Corporation is located at Suite 227, 211 Highland Cross, Houston, Texas, 77073 U.S.A., and the registered office is located at 615 S. Dupont Highway, Dover, Kent County, Delaware, 19901 U.S.A.

Business of the Corporation

The Corporation is a junior oil and natural gas corporation focused on the development and production of proven oil and gas reserves principally in the Republic of Azerbaijan ("**Azerbaijan**"). The Board of Directors and management of the Corporation are experienced in financing and developing international oil and gas production and operating fields and are believed to possess the requisite technical skills and business acumen to operate in diverse international environments. The Corporation plans to expand its oil and gas assets through further farm-ins, and acquisitions of PSAs from foreign governments containing previously discovered but undeveloped international oil and gas fields, also known as "greenfields".

On December 22, 2009, Bahar Energy, in which the Corporation owns an indirect 33.33% interest through its wholly-owned subsidiaries, entered into an Exploration, Rehabilitation, Development and Production Sharing Agreement (the "**ERDPSA**") with the State Oil Company of Azerbaijan ("**SOCAR**") and its wholly-owned oil affiliate SOCAR Oil Affiliate ("**SOA**") in respect of the offshore block known as the Bahar Project, which project consists of the Bahar Gas Field and the Gum Deniz Oil Field. Bahar Energy has an 80% participating interest, and SOA has a 20% participating interest, in the Bahar Project pursuant to the ERDPSA. On April 27, 2010 the Azerbaijan Parliament, also referred to as Milli Mejlis, ratified the ERDPSA. The ERDPSA became effective on October 1, 2010 and has the force of law in accordance with the existing legislation of Azerbaijan, a feature that management of the Corporation believes will provide greater protection from changes in local law than enjoyed by other PSAs in Azerbaijan that do not share that feature.

The ERDPSA covers an area of approximately 76,500 acres and is divided into a "rehabilitation area" (the "**Rehabilitation Area**") and an "exploration area" (the "**Exploration Area**"). The Rehabilitation Area includes the Bahar Gas Field and Gum Deniz Oil Field, which had approximate average gross production for the month of September 2010 of 1,600 bbl/d and 14.3 MMcfd, or 3,983 boepd. The gross production from the Rehabilitation Area on September 29, 2010 was 2,065 bbl/d and 18.93 MMcfd, or 5,220 boepd. The development and production period in the Rehabilitation Area has a term of 25 years which may be extended by mutual agreement for an additional five years. The Exploration Area does not currently contain any commercial oil or gas fields. The exploration period in the Exploration Area will have an initial term of three years, which can be extended for one year at the request of the Contractor Parties. In the event of a commercial discovery in the Exploration Area, the development and production period for the Exploration Area will have a term of 25 years. See "*Business of the Corporation - Description of the ERDPSA*". The estimated working interest production for the Corporation's 33.33% indirect ownership in Bahar Energy is 533 bbl/d and 4.77 MMcfd, or 1,327 boepd, based on average monthly production for September 2010. The working interest production from the Rehabilitation Area on September 29, 2010 was 688 bbl/d and 6.31 MMcfd, or 1,740 boepd.

The Corporation also owns 5% of the outstanding shares in GFPI, which is a company that owns producing and non-producing petroleum assets located in the State of Kansas, U.S.A. See "*Business of the Corporation - General Development of the Business*".

As a result of the Corporation's discontinued operations in Indonesia, the Corporation has retained a small indirect net profits interest in respect of the Bunga Mas PSC, located in onshore Sumatra, Indonesia. The Corporation has no ongoing future capital obligations in respect of this project. See "*Business of the Corporation - Material Dispositions*".

Description of the Offering

Issue:	The Corporation is offering 4,235,000 Common Shares (including shares offered in the Concurrent Private Placements). The Corporation has granted to the Agents the Over-Allotment Option to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option and the Common Shares issuable upon exercise thereof are qualified for distribution under this prospectus. If the Over-Allotment Option is exercised in full, the total number of Common Shares to be issued by the Corporation will be 4,870,250. See "*Plan of Distribution*".
Offering Price:	CDN$8.50 per Common Share.
Amount:	CDN$35,997,500, of which approximately CDN$27,997,500 will be issued under the Canadian Offering and qualified by the prospectus and approximately CDN$8,000,000 will be issued pursuant to the Concurrent Private Placements and qualified by this prospectus. If the Over-Allotment Option is exercised in full, the total gross proceeds will be CDN$41,397,125. See "*Plan of Distribution*".
United States Securities Law Matters:	The Common Shares have not been and will not be registered under the United States Securities Act or any state securities law. The Common Shares will be deemed "restricted securities" as defined in Rule 144 of the United States Securities Act and will be subject to a one-year distribution compliance period during which the Common Shares may not be offered or sold to any person in the United States or any U.S. Person or person acquiring for the account or benefit of any U.S. Person or person in the United States. No hedging transactions may be completed with respect to these securities, except in compliance with the United States Securities Act. In addition, the Common Shares are anticipated to be traded on the TSXV with a ".S" suffix attached to the trading symbol to indicate that the Common Shares are subject to trading restrictions pursuant to Regulation S under the United States Securities Act. See "*Plan of Distribution—United States Securities Act and Regulation S*".
Closing:	It is expected that Closing will occur on or about November 16, 2010, or such other date as may be agreed to by the Corporation and the Agents, but in any event no later than the date that is 90 days following the issuance of a final receipt by the applicable securities regulatory authorities in connection with the filing of this prospectus.
Agents' Compensation:	The Agents will receive a commission equal to 6% of the gross proceeds of the Offering, including the Over-Allotment Option, if exercised. The Agents will also be reimbursed for their reasonable fees and expenses, including the reasonable legal fees of legal counsel to the Agents plus applicable taxes and disbursements. See "*Plan of Distribution*".
Common Shares:	As at the date hereof, there are 9,990,771 Common Shares outstanding (11,506,771 Common Shares on a fully-diluted basis but without giving effect to any issuances of Common Shares in respect of the Liquidity Entitlements). If the Offering is completed, there will be 14,225,771 Common Shares outstanding following completion of the Offering (15,741,771 Common Shares on a fully diluted basis and 16,377,021 Common Shares if the Over-Allotment Option is exercised in full but without giving effect to any issuances of Common Shares in respect of the Liquidity Entitlements). See "*Description of Share Capital*" and "*Options and Warrants to Purchase Securities*".
Use of Proceeds:	The gross proceeds to the Corporation from the Offering will be CDN$35,997,500.

Management of the Corporation and the Agents estimate that, of the total gross proceeds of the Offering CDN$27,997,500 will be raised pursuant to the Canadian Offering and CDN$8,000,000 will be raised pursuant to the Concurrent Private Placements. However, there can be no assurances of the actual allocation of the gross proceeds between the Canadian Offering and the Concurrent Private Placements until the Offering is completed. The net proceeds to the Corporation from the Offering after deducting the anticipated Agents' Commission, and after deducting estimated expenses of CDN$675,000, will be CDN$33,162,650. If the Over-Allotment Option is exercised in full, the gross proceeds to the Corporation will be CDN$41,397,125, and the net proceeds to the Corporation after deducting the anticipated Agents' Commission and after deducting estimated expenses of the Offering will be CDN$38,238,298. The total funds available to the Corporation at Closing, after deducting the estimated expenses of the Offering of CDN$675,000 are expected to be approximately CDN$33,162,650 (CDN$38,238,298 if the Over-Allotment Option is exercised in full) and including the estimated working capital of the Corporation as at June 30, 2010 of CDN$15,299,011 (after including the net proceeds of the September 2010 Private Placement of CDN$12,015,185), are estimated to be CDN$48,461,661 (CDN$53,537,309 if the Over-Allotment Option is exercised in full). The Corporation has expended or intends to expend its allocated total funds available as follows:

Use of Funds	**Amount(1)(4)(5)**	
Corporation's share of the Bahar Project capital expenditures for recompletions, and workovers	CDN$14,213,364 (2)	US$13,951,084
Corporation's share of the Bahar Project capital expenditures for platforms and facilities	CDN$18,753,600(2)	US$18,407,538
Bahar Project equipment, including workover rigs, liftboat, barge, cranes and crew boat	CDN$4,717,044(3)	US$4,630,000
ERDPSA Signing Bonus and Production Payment	CDN$1,355,004	US$1,330,000
Bahar Project Exploration Area Seismic	CDN$1,579,140	US$1,550,000
Review and Pursue Additional Greenfields Opportunities	CDN$4,813,830	US$4,725,000
General Corporate Purposes	CDN$3,029,679	US$2,835,848
Total	CDN$48,461,661	US$47,429,470

Notes:

(1) Available funds includes the net proceeds of the September 2010 Private Placement of CDN$12,015,185 and the net proceeds of the Offering (not including the Over-Allotment Option), and including the Corporation's estimated working capital balance as at June 30, 2010 of approximately US$3,223,229 (CDN$3,283,826).

(2) These capital expenditures are for the 2010 and 2011 years and the first six months of 2012 as indicated in the Miller Lents Report. See "*Miller Lents Report Regarding the Bahar Project"*. Management of the Corporation is of the opinion that the capital expenditure requirements as set out in the Miller Lents Report continue to be reasonably accurate estimates of the capital expenditures required for the Bahar Project, although management intends to accelerate the timing of the Corporation's development expenditures in order to accelerate production as compared to the timelines shown in the Miller Lents Report.

(3) This amount is based on estimates obtained by management of the Corporation over the past six months from a variety of suppliers and sources.

(4) The exchange ratio utilized is $1.0188 Canadian dollars for each US dollar, except net proceeds of the September 2010 Private Placement which was converted at $1.03 Canadian dollars for each US dollar.

(5) The Corporation's estimated cash on hand as at October 31, 2010 is approximately US$8,800,000 (CDN$8,965,440). The decrease in cash on hand as compared to the cash on hand as at June 30, 2010 of US$14,878,733 (CDN$15,299,011), including the net proceeds of the September 2010 Private Placement, is primarily due to expenditures by the Corporation in the categories set forth in the table above.

Due to the nature of the oil industry, budgets are regularly reviewed in light of the success of the expenditures and other opportunities which may become available to the Corporation. Accordingly, while the Corporation anticipates that it will spend the funds available as set forth above, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds of the Offering may be necessary. Many of the Corporation's potential operations and related assets will be located in countries outside North America, some of which may be considered to be politically and economically less than optimal or which could become politically or economically less than optimal. While actual expenditures may differ from these amounts and allocations, the net proceeds of the Offering will be used by the Corporation in furtherance of its business. Pending utilization of the net proceeds derived from the Offering, the Corporation expects to invest them in short-term, interest-bearing, investment-grade securities and other securities. Use of the proceeds of the Offering

will be subject to the discretion of management within the approved guidelines of the Board of Directors. See "*Use of Proceeds*".

Directors and Officers of the Corporation

The members of the Board of Directors of the Corporation are Michael J. Hibberd (Chairman), Richard E. MacDougal, John W. Harkins, Alex T. Warmath, Donald R. Ingram, Garry P. Mihaichuk and Christopher C. Rivett-Carnac.

The officers of the Corporation are as follows:

Name	Office
John W. Harkins	President and Chief Executive Officer
Richard E. MacDougal	Senior Vice-President and Chief Operating Officer
Alex T. Warmath	Senior Vice-President and Chief Technical Officer
Mark N. Witt	Vice-President - Finance, Chief Financial Officer and Treasurer
A. Wayne Curzadd	Vice-President and Comptroller
Glenn F. Miller	Vice-President - Operations
Janet A. Nussbaum	General Counsel and Secretary
Douglas M. Stuve	Assistant Secretary

See "*Directors and Officers*".

Selected Reserves Information

The following is a summary of selected operational information for the Corporation as identified in the Miller Lents Report as of April 1, 2010, assuming that the ERDPSA had become effective on that day. The following is a summary only and must be read in conjunction with the information contained in the section of this prospectus entitled "*Statement of Reserves Data and Other Oil and Natural Gas Information*".

Reserves Category	Bahar Energy	Corporation's 33.33% Indirect Share of Bahar Energy
Net Proved Reserves		
Crude oil and condensate (Mbbls)	10,472	3,491
Natural gas (MMcf)	148,661	49,554
Barrels of oil equivalent (Mboe)	35,249	11,750
Net Proved plus Probable Reserves		
Crude oil and condensate (Mbbls)	16,770	5,590
Natural gas (MMcf)	140,396	46,799
Barrels of oil equivalent (Mboe)	40,169	13,390

Selected Consolidated Financial Information

The information presented below is based on both audited and unaudited financial statements. The consolidated financial statements of the Corporation presented elsewhere in this prospectus are unaudited as of and for the six months ended June 30, 2010, audited as of and for the year ended December 31, 2009, and unaudited as of and for the period from the date of incorporation on November 28, 2007 through December 31, 2008. Such financial statements have been prepared in accordance with Canadian GAAP and the following information should be read in conjunction with "*Management's Discussion and Analysis*" and the Corporation's financial statements and related notes included elsewhere in this prospectus.

Statement of Operations Data	**Six months ended June 30, 2010**	**Year ended December 31, 2009**	**November 28, 2007 (Inception) to December 31, 2008**
Revenues from management fees	US$168,000	US$176,666	US$333,340
General and administrative expenses	US$2,246,584	US$1,395,216	US$948,742
Operating cash deficit from continuing operations	(US$2,071,793)	(US$1,653,611)	(US$244,542)
Loss from continuing operations	(US$1,972,293)	(US$1,504,898)	(US$1,321,799)
Income (loss) from discontinued operations	US$135,405	US$2,691,310	(US$2,441,055)
Per Share/Unit Data:			
Net loss per share/unit from continuing operations, (basic and diluted)	(US$0.26)	(US$0.23)	(US$0.35)
Net loss per share/unit, (basic and diluted)	(US$0.24)	US$0.18	(US$1.01)
Balance Sheet Data			
Total assets	US$5,009,975	US$1,778,281	US$2,610,525
Working capital	US$3,223,229	US$1,349,791	(US$1,229,757)
Notes payable to members	Nil	Nil	US$821,185
Shareholders'/Members' equity	US$4,568,920	US$1,678,558	US$537,146

Development Plan of the Corporation

Development Plan for Bahar Gas Field

Bahar Energy's activity plan for the Bahar Gas Field is divided into three phases. Due to the large number of available wellbores, no new wells are planned to be drilled in the first three phases. Repair, recompletion and sidetrack of existing wells will increase the production and develop additional reserves. Due to the number of the existing facilities, only upgrades to such facilities are planned to increase production and reserves. The principal objectives are as follows for the near term program:

(a) increase daily production and develop additional reserves from the existing active wells;
(b) increase daily production and develop additional reserves from zones found behind pipe in existing wellbores;
(c) increase daily production and develop additional reserves from zones via a sidetrack program to allow for access into zones not available in the existing wellbores found inside the field; and
(d) the programmed activity is expected to raise field daily production to over 110 MMcfd of gas which will bring the field back to approximately 20% of the former established production levels.

In Phase 1, the installation of compressors and de-bottlenecking activities are planned to improve production rates from the existing producing wells. In addition, 16 existing producing wells will undergo a downhole optimization program, and selected facilities and platforms will be upgraded.

In Phase 2, recompletion activities on approximately 53 wells are planned in zones that have not previously been perforated and produced, as many of the wells in the Bahar Gas Field have more than seven separate pay zones, and a large number of proved developed non-producing (behind pipe) reserves remain unproduced throughout the field.

Phase 3 is expected to focus on sidetracking approximately 6 wellbores to access deeper zones that have yet to be perforated and produced.

Development Plan for Gum Deniz Oil Field

Bahar Energy's near term activity plan is broken into four phases of specific work. Due to the number of available wellbores, no new well drilling is planned until Phase 4. The main objectives are as follows for the near term program:

(a) a well optimization program to increase daily production during the first six months;
(b) a recompletion and side track program to increase daily production and to add proved producing reserves;
(c) install three new platforms and drill 36 new development wells to develop reservoirs found in fault blocks that could not be accessed from the causeway development program; and
(d) to increase daily production to approximately 12,500 bbl/d or approximately 30% of the level previously established in the field.

In Phase 1, an aggregate of 24 well optimization upgrades are planned on active producing wells and will focus on replacing failed tubing and place downhole electric submersible pumps on selected wells. The Phase 1 program is expected to result in an increase in daily production.

Phase 2 includes recompletion activities in zones of wells that have not previously been perforated and produced. An aggregate of 25 recompletions are planned in Phase 2.

Phase 3 includes sidetracking approximately 4 existing wellbores to access zones that have yet to be perforated and produced. These wells are deeper than the existing wellbore depths. In addition, Bahar Energy plans to construct and install 5 new offshore platforms.

Phase 4 includes drilling up to 36 new development wells in the field. The Corporation will utilize new directional drilling technology to access parts of the field that could not previously be reached from the Soviet causeway systems. On the southeastern portion of the field, it is anticipated that one of the platforms will be used to expand the field area that is currently only partially developed.

Risk Factors

The Offering involves a high degree of risk due to the nature of the exploration for crude oil and natural gas in Azerbaijan, and the Corporation's early stage of development. The Corporation's business is subject to the risks normally encountered in the crude oil and natural gas industry such as: exploration, development and production risks; reserve estimates and the variability between production and reported resource evaluations; the need for, and ability to obtain funding; fluctuations in the market price and demand for oil and natural gas; access to pipelines, oil transportation networks and the availability of equipment; risks of foreign operations within Azerbaijan; reliance on industry partners; uncertainty regarding acquisitions, exploration and production; environment risks and regulations; and the effect of foreign government regulation and policies. There are additional risks to purchasers of Common Shares associated with the nature and structure of the Offering such as: no market for the Common Shares; share price volatility; dividends may never be declared; investment dilution and the potential inability to enforce judgments outside of Canada or the United States. The operating results of the Corporation for prior periods set forth herein should not be relied upon as any indication of results for any future period. The resource information contained in this prospectus are estimates only and the actual production and ultimate reserves recovered from the Corporation's properties may be significantly greater or less than the estimates contained in this prospectus. Prospective purchasers should carefully consider the information set forth under the heading "Risk Factors" and other information contained in this prospectus before deciding to invest in the Common Shares.

CORPORATE STRUCTURE

The Corporation was formed on November 28, 2007 as Greenfields Petroleum, Inc., a corporation formed under the Texas *Business Organizations Code*. On April 4, 2008, Greenfields Petroleum, Inc. was converted pursuant to a Certificate of Conversion to Greenfields LLC, a limited liability company formed under the Texas *Business Organizations Code*. Pursuant to a resolution passed by the board of Greenfields LLC on January 8, 2010, the outstanding units of Greenfields LLC were split on the basis of 1.5 new units for each outstanding unit. On February 19, 2010, pursuant to a Certificate of Conversion Greenfields LLC was converted back to a corporation named Greenfields Petroleum Corporation under the *General Corporation Law* of the State of Delaware.

The head office of the Corporation is located at Suite 227, 211 Highland Cross, Houston, Texas, 77073 U.S.A., and the registered office in the State of Delaware is located at 615 S. Dupont Highway, Dover, Kent County, Delaware, 19901 U.S.A.

Intercorporate Relationships

The Corporation's corporate structure parallels its United States and international oil and gas activities.

United States

In the United States, the Corporation owns a 5% interest in GFPI, a Texas limited liability company, which is the owner of the Kansas Assets, and whose registered office is located at 21 Waterway, Suite 200, The Woodlands, Texas, U.S.A.. The Corporation also owns 100% of Greenfields Petroleum USA, LLC, a Texas limited liability company, which conducts no material business and has no material assets, and whose registered office is located at 211 Highland Cross, Suite 227, Houston, Texas, 77073 U.S.A.

International

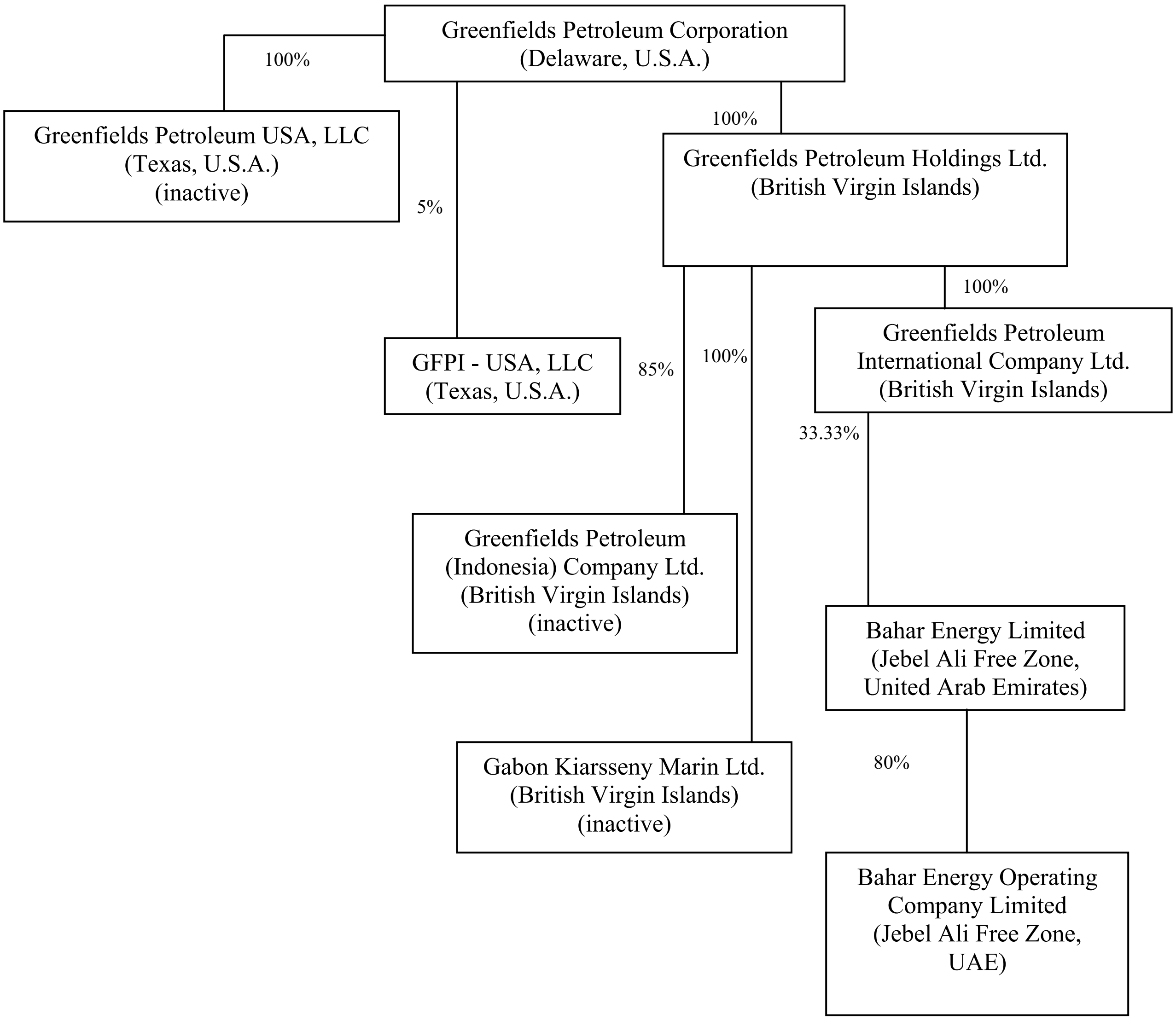
The Corporation owns 100% of Greenfields Petroleum Holdings Ltd., a British Virgin Islands company, through which it conducts its international oil and gas activities, and whose registered office is located at 56 Administration Drive, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

Greenfields Petroleum Holdings Ltd. owns 100% of the outstanding shares of Greenfields Petroleum International Company Ltd, a British Virgin Islands company, whose registered office is located at 56 Administration Drive, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The principal asset of Greenfields Petroleum International Company Ltd. is its ownership of 33.33% of the outstanding shares in Bahar Energy, a company formed in the Jebel Ali Free Zone, Dubai, UAE whose registered office is LOB 15-514, P.O. Box 17870, Jebel Ali Free Zone, Dubai, UAE. Bahar Energy is one of the Contractor Parties under the ERDPSA in Azerbaijan and owns an 80% participating interest in the Bahar Project. Bahar Energy owns 80% of BEOC, a company formed in the Jebel Ali Free Zone, Dubai, UAE for the purpose of acting as Operator of the Bahar Project on behalf of the Contractor Parties under the ERDPSA, and whose registered office is LOB 15-514, P.O. Box 17870, Jebel Ali Free Zone, Dubai, UAE.

Greenfields Petroleum Holdings Ltd. owns 85% of the outstanding shares of Greenfields Petroleum (Indonesia) Company Ltd., a British Virgin Islands company, which conducts no material business and currently has no material assets, other than pursuant to the Deferred Payment Agreement with APEC Indonesia Limited, and whose registered office is located at 56 Administration Drive, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. See "*Material Contracts*".

Greenfields Petroleum Holdings Ltd. owns 100% of the outstanding shares of Gabon Kiarsseny Marin Ltd., a British Virgin Islands company which conducts no material business and has no material assets and whose registered office is located at 56 Administration Drive, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

The relationship of the Corporation and its related companies is set out in the following organizational chart:



Bahar Energy Governance

Bahar Energy is owned 33.33% by each of RAFI, Baghlan, and Greenfields Petroleum International Company Ltd. Greenfields Petroleum International Company Ltd. holds 166,650 shares of Bahar Energy with par value of Arab Emirates Durham 100 each.

Bahar Energy is governed by its Memorandum of Association and Articles of Association as filed with the Jebel Ali Free Zone Authority in Dubai, UAE, and the Bahar Shareholders Agreement. See "*Material Contracts*".

Bahar Energy Memorandum and Articles of Association

The Memorandum and Articles of Association of Bahar Energy contain basic formation and governance provisions, the most significant of which is the requirement that all resolutions put to a vote of the shareholders must be approved by unanimous vote of the shareholders.

Description of the Bahar Shareholders Agreement

In order to regulate the operation and management of Bahar Energy, the shareholders of Bahar Energy entered into the Bahar Shareholders Agreement. The Bahar Shareholders Agreement contains the following terms.

Shareholders

The Bahar Shareholders Agreement recognizes that the shareholders are the supreme authority of Bahar Energy, and provides for both annual and extraordinary general meetings. The Bahar Shareholders Agreement is subject to the Memorandum and Articles of Association of Bahar Energy, which requires that all resolutions put to a vote of the shareholders be approved by unanimous vote.

Board

Each shareholder holding at least 25% of the outstanding shares in Bahar Energy is entitled to appoint one director to the board. The original three shareholders, however, are at all times entitled to appoint one director to the board, for so long as such shareholder holds at least 8% of the outstanding shares.

Decisions of the board are to be made by unanimous vote of the directors, except in the following instances:

(a) If the board cannot reach a unanimous decision to approve an annual work program and budget consistent with the obligations of the ERDPSA, then the proposal capable of satisfying the minimum work and production obligations for the calendar year in questions that receives the highest percentage vote shall be deemed approved by the board as the annual work program and budget.

(b) If the board cannot reach a unanimous decision regarding dividends, then the proposal receiving the highest percentage vote will prevail.

Board meetings are held at least quarterly.

Officers

The board is responsible for appointing the President of Bahar Energy, who in turn is responsible for appointing all other officers and staff. Until Bahar Energy has met the minimum exploration work and production obligations under the ERDPSA, and for a period of six months thereafter, Greenfields Petroleum International Company Ltd. has the authority to select the President. Richard E. MacDougal, the Chief Operating Officer of the Corporation has been appointed the President of Bahar Energy.

Annual Work Program and Budget

The board must each year approve an annual work program and budget consistent with the minimum work and production requirements of the ERDPSA.

Working Capital

The shareholders intend that the funds necessary to meet the expenses of Bahar Energy will be procured so far as possible by shareholder equity and shareholder loans. In 2012, the shareholders intend to fund through limited recourse bank financing. If financing is not available, and the board and shareholders of Bahar Energy determine that further funds are necessary, additional shares of Bahar Energy will be offered to its shareholders. Shares of Bahar Energy not subscribed for by one shareholder will be offered to the other shareholders, meaning that the interest of a shareholder not subscribing will be subject to dilution.

Dividend Policy

All profits available for distribution at the end of each fiscal year will be distributed by way of dividend, subject to the retention of sufficient cash to meet normal and foreseeable working capital requirements, including any annual work program and budget and minimum work and production obligations under the ERDPSA.

Transfers

Shares of Bahar Energy may be transferred to affiliates of the shareholders; however, any other proposed share transfers are subject to a right of first offer to the other shareholders of Bahar Energy.

BUSINESS OF THE CORPORATION

Overview

The Corporation is a junior oil and natural gas corporation focused on the development and production of proven oil and gas reserves principally in Azerbaijan. The Board of Directors and management of the Corporation are experienced in financing and operating international oil and gas companies and are believed to possess the requisite technical skills and business acumen to operate in diverse international environments. The Corporation also plans to expand its oil and gas assets through farm-ins and acquisitions of PSA's from foreign governments of previously discovered but undeveloped international oil and gas fields, also known as "greenfields".

On December 22, 2009, Bahar Energy, in which the Corporation owns an indirect 33.33% interest through its wholly-owned subsidiaries, entered into the ERDPSA with SOCAR and its wholly-owned oil affiliate SOA in respect of the offshore block known as the Bahar Project, which project consists of the Bahar Gas Field and the Gum Deniz Oil Field. Bahar Energy has an 80% participating interest, and SOA has a 20% participating interest, in the Bahar Project pursuant to the ERDPSA. On April 27, 2010, the Azerbaijan Parliament, also referred to as Milli Mejlis, ratified the ERDPSA. The ERDPSA became effective on October 1, 2010 and has the force of law in accordance with the existing legislation of Azerbaijan, a feature that management of the Corporation believes will provide greater protection from changes in local law than enjoyed by other PSAs in Azerbaijan that do not share that feature.

The ERDPSA covers an area of approximately 76,500 acres and is divided into a Rehabilitation Area and an Exploration Area. The Rehabilitation Area includes the Bahar Gas Field and Gum Deniz Oil Field, which had approximate average gross production for the month of September 2010 of 1,600 bbl/d and 14.3 MMcfd, or 3,983 boepd. The gross production from the Rehabilitation Area on September 29, 2010 was 2,065 bbl/d and 18.93 MMcfd, or 5,220 boepd. The development and production period in the Rehabilitation Area has a term of 25 years which may be extended by mutual agreement for an additional five years. The Exploration Area does not currently contain any commercial oil or gas fields. The exploration period in the Exploration Area has an initial term of three years, which can be extended for one year at the request of the Contractor Parties. In the event of a commercial discovery in the Exploration Area, the development and production period for the Exploration Area will have a term of 25 years. The Corporation's estimated working interest production for the Corporation's 33.33% indirect ownership in Bahar Energy is 533 bbl/d and 4.77 MMcfd, or 1,327 boepd, based on average monthly production for September 2010. The working interest production from the Rehabilitation Area on September 29, 2010 was 688 bbl/d and 6.31 MMcfd, or 1,740 boepd.

The Corporation also owns 5% of the outstanding shares in GFPI, which is a company that owns a working interest in certain petroleum assets located in the State of Kansas, U.S.A.

As a result of the Corporation's discontinued operations in Indonesia, the Corporation retains a small net profits interest in respect of the Bunga Mas PSC, located in onshore Sumatra, Indonesia. The Corporation has no ongoing future capital obligations in respect of this project.

General Development of the Business

On November 28, 2007, the Corporation was formed as Greenfields Petroleum, Inc., a corporation formed under the Texas Business Organizations Code. The Corporation did not conduct any material business activities until April 2008 as the founders of the Corporation were completing the sale of GFI to Salamander Energy, PLC. The historical results of operations and performance of GFI should not be relied upon as an indicator of how the Corporation will perform in the future.

On April 4, 2008, Greenfields Petroleum, Inc. was converted pursuant to a Certificate of Conversion to Greenfields LLC, a limited liability company formed under the laws of the Texas *Business Organizations Code*.

In February 2008, the Corporation entered into an operating agreement with regard to GFPI pursuant to which the Corporation agreed to fund up to 15% of the costs of GFPI, resulting in a 15% indirect ownership by the Corporation of the Class A units of GFPI. RCH Energy Opportunity Fund II, L.P. ("**RCH II**") and RCH Energy Opportunity Fund III, L.P. ("**RCH III**") agreed to fund up to 85% of the costs of GFPI, resulting in an 85% ownership by RCH II and RCH II of the Class A units of GFPI. Class B units were reserved to the Corporation, with certain vesting requirements to be achieved which, as of the date of this prospectus, have not been met. In conjunction with the operating agreement, the Corporation also entered into a management services agreement (the "**MSA**") with GFPI and a business opportunities agreement (the "**BOA**") with RCH II.

Pursuant to the MSA, the Corporation undertook to provide to GFPI for a period of three years certain management services in exchange for a monthly fee and reimbursement of expenses. The Corporation has the option to terminate the MSA without cause upon sixty (60) days notice, but such termination will result in the forfeiture of certain of the Class B units reserved to the Corporation in GFPI. Such Class B units are considered to hold no value at the date of this prospectus.

Pursuant to the BOA, the Corporation, Alex T. Warmath and Richard E. MacDougal, individually, granted RCH II certain rights to participate in future upstream oil and gas business opportunities in both the United States and internationally ("**International Opportunities**").

In May 2008, the Corporation acquired an indirect 51% working interest in and operatorship of the Bunga Mas PSC (the "**Indonesia Project**"). In June 2008, the Corporation opened an office in Jakarta, Indonesia, to shoot seismic and carry out its other work program obligations in respect of the Indonesia Project.

From April to August 2008, Greenfields LLC issued units representing limited liability company interests to investors for gross proceeds of approximately US$4,300,000. The Corporation spent the balance of 2008 attempting to secure financing for the Indonesia Project, as well as to pursue other international opportunities.

In April 2009, Bahar Energy signed a memorandum of understanding with SOCAR to evaluate several oil and natural gas opportunities in the offshore area of the Caspian Sea in Azerbaijan.

In April 2009, a result of adverse capital market conditions due to the worldwide financial crisis and to focus management time and attention to Azerbaijan, the Corporation sold its interest in the Indonesia Project for net proceeds to the Corporation of approximately US$5,264,000. See "*Business of the Corporation - Material Dispositions*".

In November 2009, the President of Azerbaijan signed a decree authorizing SOCAR to negotiate the ERDPSA with Bahar Energy, and on December 22, 2009, SOCAR, SOA and Bahar Energy entered into the ERDPSA.

In Kansas during 2009, GFPI shot five 3-D seismic surveys, acquired one seismic survey, and drilled twelve exploration wells. The drilling program resulted in four (0.6 net) discovery wells and eight (1.2 net) plugged and abandoned wells. In 2010, GFPI have shot six additional 3-D seismic programs. In 2010, GFPI anticipates drilling a total of 12 wells in Kansas. As of September 30, 2010 GFPI has participated in 8 wells of which 4 have been successfully completed as producing commercial wells. The production net to the Corporation's indirect ownership in GFPI on September 29, 2010 was 4 boepd.

Effective January 1, 2010, in consideration for the release by RCH II of the rights that RCH II held to participate in the International Opportunities pursuant to the BOA, the Corporation, Alex T. Warmath and Richard E. MacDougal, and RCH II and RCH III entered into an amending agreement which amended the Operating Agreement, the MSA and the BOA (the "**Amending Agreement**"). Pursuant to the Amending Agreement, the Corporation retained a 5% interest in GFPI, and transferred the balance of its interest in GFPI to RCH II and RCH III, and adjusted its compensation under the MSA. The Corporation also agreed to make the services of Alex T. Warmath available to GFPI on a first priority basis pursuant to the amended MSA.

On February 19, 2010, Greenfields LLC was converted back to a corporation formed under the laws of the State of Delaware.

On February 24, 2010, the Corporation completed the February 2010 Private Placement of 1,000,000 Units at a price of CDN$5.00 per Unit, for gross proceeds of CDN$5,000,000 (approximately CDN$4,800,000 after deduction of the expenses of the February 2010 Private Placement). The Corporation also issued an aggregate of 60,000 Compensation Units to FirstEnergy and Raymond James as payment of commission pursuant to the terms of the February 2010 Private Placement.

On August 31, 2010 the Corporation granted 986,000 stock options to officers, directors, employees and consultants of the Corporation in accordance with the Corporations stock option plan. The exercise price of the stock options is CDN$6.50 per Common Share and they expire ten years from the date of grant being August 31, 2020.

On September 14, 2010, the Corporation completed the September 2010 Private Placement involving the issuance of 1,984,077 Common Shares at a price of CDN$6.50 per share for gross proceeds of approximately CDN$12,896,500 (approximately CDN$12,015,185 after deduction of the agents fee and expenses of the September 2010 Private Placement). Pursuant to the September 2010 Agency Agreement, the Corporation has agreed with the Agents that, if the Corporation does not list the Common Shares (the "**IPO**") on a recognized Canadian stock exchange, or complete a transaction where, as a result, all or substantially all of the outstanding Common Shares are exchanged for cash or securities of another issuer listed on a recognized stock exchange, by March 31, 2011, the subscribers will be entitled to receive one tenth of an additional Common Share in respect of each Common Share purchased in the September 2010 Private Placement. In addition, the Corporation also agreed that in the event that the Common Shares issued pursuant to the IPO are offered at a price (the "**IPO Price**") which is less than $6.50 per share (the "**Share Price**"), the Corporation shall issue to each subscriber under the September 2010 Private Placement such number of additional Common Shares as is equal to the difference between the amount by which the Share Price exceeds the IPO Price, divided by the IPO Price (collectively, the "**Liquidity Entitlements**").

On September 29, 2010, the Corporation was notified by SOCAR that all conditions precedent of the ERDPSA were satisfied and the ERDPSA became effective as of October 1, 2010.

General Business Strategy

The Corporation seeks to capture and exploit previously discovered but undeveloped international oil and gas fields, also known as "greenfields". Greenfields are characterized by existing proven hydrocarbons which require further delineation or infrastructure (as opposed to wildcat exploration), have current production or near-term production, and frequently contain significant potential exploration upside. The Corporation has identified over nine hundred greenfields worldwide and, some of which the Corporation expects to focus on, particularly in areas where the management of the Corporation has past operating experience and local relationships.

The Corporation believes that many international greenfields opportunities provide significantly lower risk profiles than traditional exploration programs, and that greenfields frequently offer the upside of size and scale. Management believes these often underappreciated opportunities remain available today for a variety of reasons including political, pricing and technical challenges. Based upon years of experience, management of the Corporation anticipates that perceived risks can be managed in a way that allows for building significant value in countries where management has an appreciation of how to manage these risks in diverse political and business environments. The Corporation's management team has a proven track record with well known energy companies and are believed to possess the expertise to quickly capture, develop and manage an identified portfolio of target greenfields.

The Corporation is building an oil and gas company to capture and exploit a small number of the most attractive previously identified undeveloped oil and gas fields. The Corporation plans to harvest the unrecognized value from these already discovered, but likely underappreciated, oil and gas fields and anticipates that it will take advantage of selected exploration opportunities from time to time.

Although there are small and medium-size independent operators working outside the United States, many remain focused on traditional methods of building wealth via the higher risk exploration portion of the exploration and production process. Due to the overwhelming competition for hydrocarbons and the significant infrastructure found in Canada and the United States, the Corporation believes that North American greenfields are scarce and over-priced when compared to international greenfields opportunities. The Corporation will focus on the higher-value generation it sees in the delineation and development phase of the exploration and production process, with what is believed to be its comparatively lower risk profile. When a field reaches the mature development phase, the Corporation plans to consider selling its interest in that field, as new value growth tends to plateau during the production phase. However, such a field might be retained if from information gained during the original development work it is determined that the location or character of the field allows for upside development through additional exploitation and/or exploration efforts. Management holds the view that exploration upside can be acquired along with the acquisition of a greenfield with little or no cost, but that exploration component can add significantly to the overall project value.

Central to the Corporation's business plan is the belief that while both the delineation and field development phase and the exploration phase of the upstream oil and gas business can both create new value, the delineation and field development phase generally has a much lower investment risk profile. The Corporation plans to focus its efforts on that phase of the process where it has the opportunity to create significant shareholder value with lower below ground risk than is usually the case in the traditional exploration approach.

Following the successful sale of GFI to Salamander Energy, PLC, a South East Asia focused company, in March 2008, the former GFI management team began to pursue other greenfields opportunities. The former GFI management team formed the Corporation and through contacts in the former Soviet Union, the Corporation identified and captured the ERDPSA containing the Bahar Gas Field and Gum Deniz Oil Field located in the shallow waters of the Caspian Sea directly offshore of Azerbaijan. The historical results of operations and performance of GFI should not be relied upon as an indicator of how the Corporation will perform in the future.

Azerbaijan has a long history of oil and gas production. By the end of World War II, the fields around Baku, Azerbaijan accounted for approximately 70% of the production of the Soviet Union. Over 140 fields have been discovered in this very oil and gas rich south Caspian Sea area. Since the 1990's, the Azerbaijan government has been promoting its oil and gas industry to foreign investors by actively promoting Economic Rehabilitation and Development Production Sharing Contracts for its aging oil and gas fields which still hold large quantities of oil and gas reserves. The government of Azerbaijan recognized that they could accelerate the country's wealth by encouraging western oil and gas companies to invest capital and technology in Azerbaijan. Many major international oil and natural gas companies have a presence in Azerbaijan and are actively producing oil and natural gas, including companies from the United Kingdom, the United States, Turkey, Russia, Germany and Canada. Over 28 contracts have been signed with foreign oil and natural gas companies to develop and produce hydrocarbons both onshore and offshore in Azerbaijan.

On December 22, 2009, Bahar Energy, entered into the ERDPSA. The ERDPSA became effective on October 1, 2010. See "*Description of the ERDPSA - Background*".

The ERDPSA covers an area of approximately 76,500 acres and it is divided into a Rehabilitation Area and an Exploration Area. The Rehabilitation Area includes the Bahar Gas Field and Gum Deniz Oil Field, which had approximate average gross production for the month of September 2010 of 1,600 bbl/d and 14.3 MMcfd. The gross production from the Rehabilitation Area on September 29, 2010 was 2,065 bbl/d and 18.93 MMcfd, or 5,220 boepd. The development and production period in the Rehabilitation Area has a term of 25 years which may be extended by mutual agreement for an additional five years. The Corporation's estimated working interest production for the Corporation's 33.33% indirect ownership in Bahar Energy is 533 bbl/d and 4.77 MMcfd, or 1,327 boepd, based on average monthly production for September 2010. The working interest production from the Rehabilitation Area on September 29, 2010 was 688 bbl/d and 6.31 MMcfd, or 1,740 boepd.

Business Strategy in Azerbaijan

Redevelopment Plan

Management's strategy in the Bahar Gas Field and the Gum Deniz Oil Field is to increase existing production and develop previously discovered proved undeveloped reserves. Management of the Corporation intends to accomplish its plan of development by implementing modern production techniques, including:

(a) repair and upgrading of platforms and facilities;
(b) introduction of high rate gas compression;
(c) installation of down-hole electric submersible pumps;

(d) utilize modern completion techniques not associated with Soviet style oil and gas field operations;
(e) complete previously unperforated pay-zones in existing wellbores;
(f) capitalizing on understanding of reservoirs gained from analysis of data from over 700 previous wells drilled; and
(g) sidetrack existing wellbores and drill new development wells, using modern seismic data.

Plan of Development

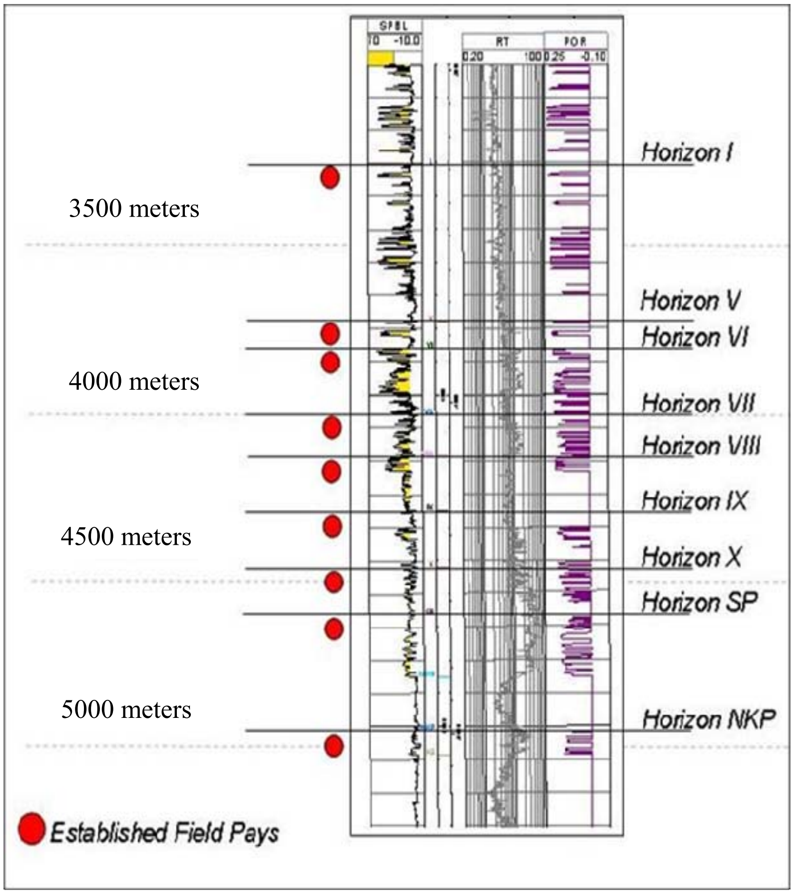
History and Technical Analysis of Bahar Gas Field

Initial production of the Bahar Gas Field began in September 1969 and as of December 31, 2009 the Bahar Gas Field has produced approximately 4.28 trillion cubic feet of gas and 84 million barrels of condensate. Due to the slow Soviet era style of development, the maximum daily gas production rate of 591 MMcfd was not achieved until 1985. The Bahar Gas Field had average monthly production of approximately 12.7 MMcfd for the month of June, 2010. The maximum condensate production rate of approximately 13,900 Bcpd was achieved on October 6, 1975. The Bahar Gas Field was producing approximately 117 Bcpd for the month of June 2010.

The Bahar structure in the Bahar Gas Field was discovered in the period between 1955 to 1957 by using seismic and electrical offshore surveys. After two non-commercial exploratory wells were drilled in 1955 and 1961, respectively, a third well drilled in 1968 became the initial discovery well for the Bahar Gas Field after significant gas potential was established in the Balakhany formation.

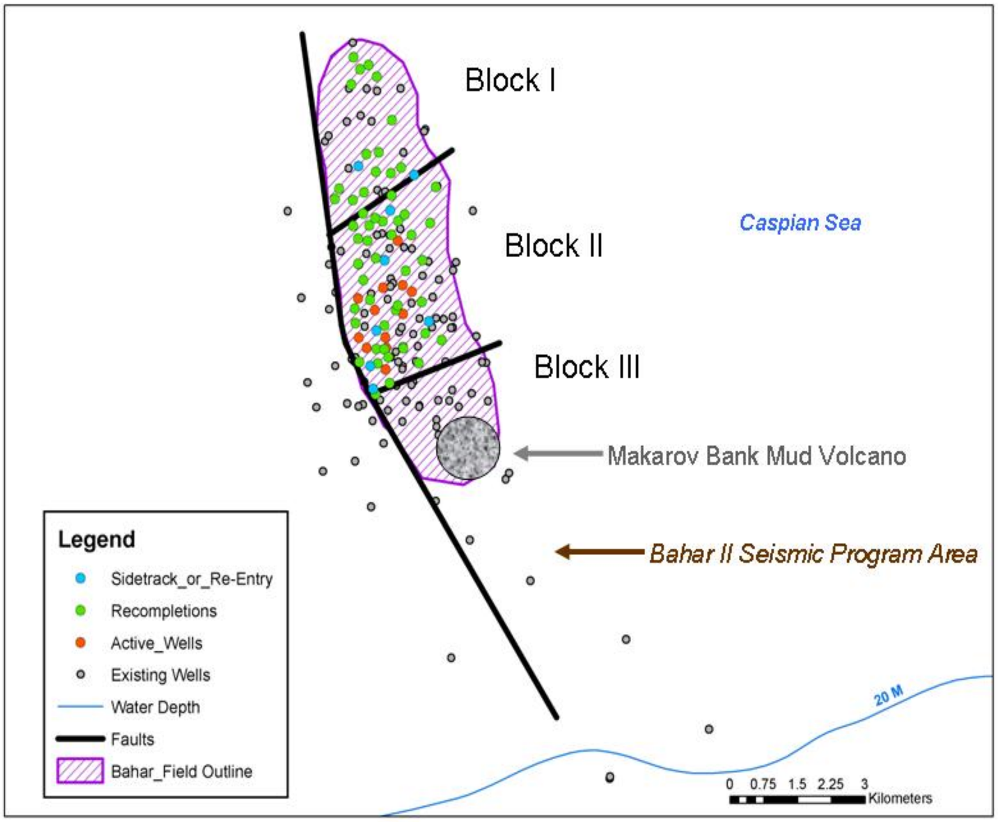
The stratigraphic interval, which includes several productive formations of Pliocene age, embraces the productive series section from the top of the Balakhany formation through the PK suite of rocks. The following productive horizons that have been identified include: I and V, VI, VII, VIII, IX, X (all in the Balakhany formation), "Perery", NKP, and PK suites. These productive units are separated by shale beds and differ from one another by fluid and petrophysical properties. Subsequent field development has established production over a stratigrahic interval of more than 1,615 m. Found inside the 1,675 m interval are 12 separate pay zones with individual pay sands ranging in thickness up to 115 m. Total net sand pay in an average well can exceed over 300 m.

Bahar Field Type Log – Bahar 019



The Bahar structure was initially defined by more than 120 exploratory and development wells. As at the date hereof, 204 wells have been drilled in the Bahar Gas Field. The structure is a north-south-trending anticline found along the Fatmai - Gum anticline trend with a field length of 9.5 km and width of 3.5 km. Vertical closure varies with depth but at zone IX (found approximately in the middle of the pay intervals), closure is in excess of 450 m. The structure is slightly asymmetrical; the western flank dips 16-18^{o}, the eastern flank, 19-20^{o}, the northern plunge, 6-7^{o}, and the southern plunge, 17-18^{o}. The structure is divided into three sections by faults. The main portion of the Bahar structure (area of production) includes the central part, eastern flank and plunge areas, and is divided into three fault blocks (I, II, III) by two transverse faults. The transverse faults, which separate the northern plunge (Block I) from the central portion of the structure (Block II) are clearly identified. Transverse faults between Blocks I, II and III are characterized by small displacements, which explains why these faults were barriers only before the beginning of production.

Bahar Field Map



Gas and condensate distributed within the stratigraphic section indicate that these multi-bedded gas and condensate accumulations occur within a single hydrodynamic system. Gas accumulations contain a significant amount of condensate, which increase in richness with depth. Reservoir rocks (sandstone and siltstones) are of good quality. Average porosity ranges from 14 to 22% and average permeability ranges from 12 to 166 md. Water saturation in the pay intervals ranges from 8 to 56%.

Development Plan for Bahar Gas Field

Bahar Energy's activity plan for the Bahar Gas Field is divided into three phases. Due to the large number of available wellbores, no new wells are planned to be drilled in the first three phases. Repair, recompletion and sidetrack of existing wells will increase the production and develop additional reserves. Due to the number of the existing facilities, only upgrades to such facilities are planned to increase production and reserves. The principal objectives are as follows for the near term program:

(a) Increase daily production and develop additional reserves from the existing active wells;
(b) Increase daily production and develop additional reserves from zones found behind pipe in existing wellbores;
(c) Increase daily production and develop additional reserves from zones via a sidetrack program to allow for access into zones not available in the existing wellbores found inside the field; and
(d) The programmed activity is expected to raise field daily production to over 110 MMcfd of gas which will bring the field back to approximately 20% of the former established production levels.

In Phase 1, the installation of compressors and de-bottlenecking activities are planned to improve production rates from the existing producing wells. In addition, 16 existing producing wells will undergo a downhole optimization program, and selected facilities and platforms will be upgraded.

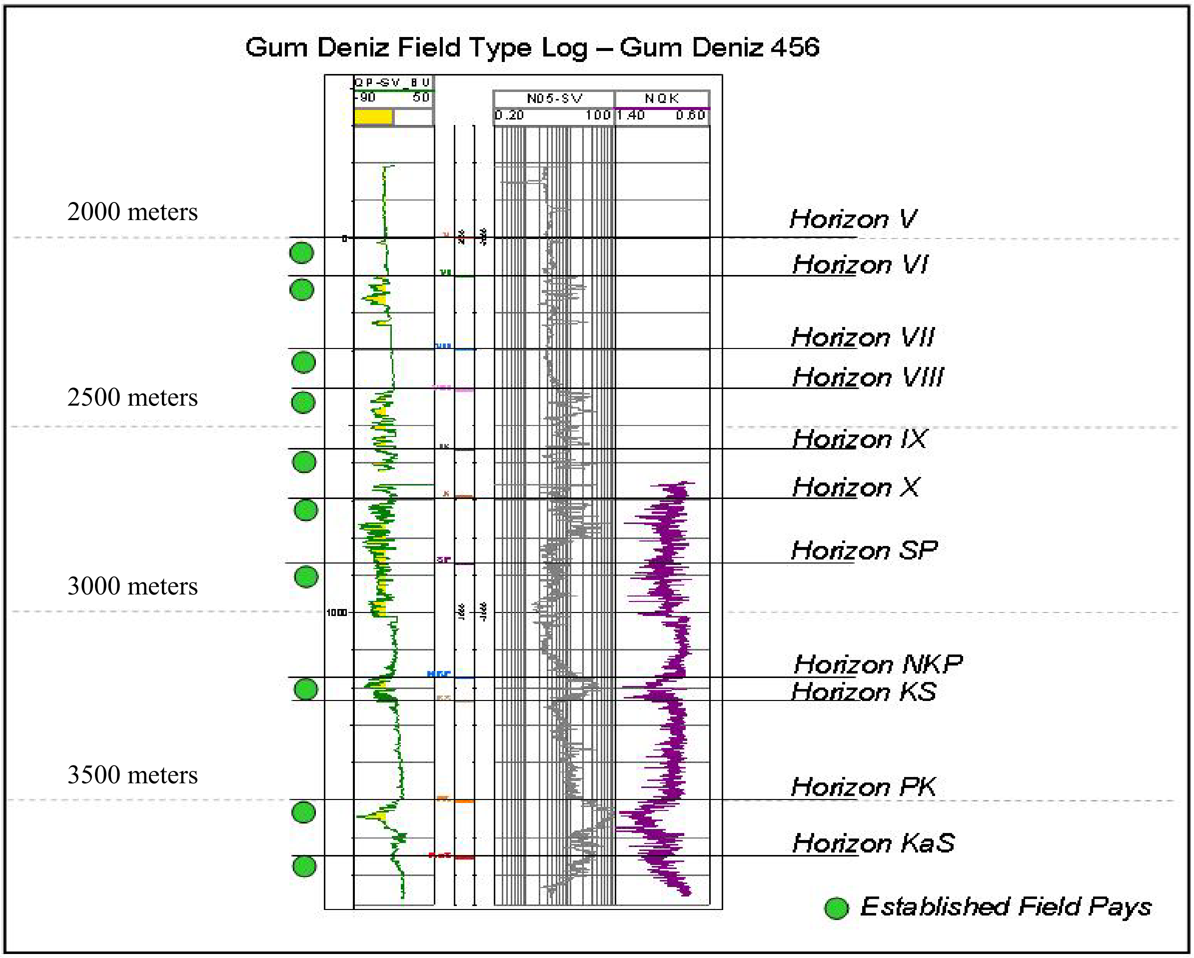
In Phase 2, recompletion activities on approximately 53 wells are planned in zones that have not previously been perforated and produced, as many of the wells in the Bahar Gas Field have more than seven separate pay zones, and a large number of proved developed non-producing (behind pipe) reserves remain unproduced throughout the field.

Phase 3 is expected to focus on sidetracking approximately 6 wellbores to access deeper zones that have yet to be perforated and produced.

History and Technical Analysis of Gum Deniz Oil Field Development

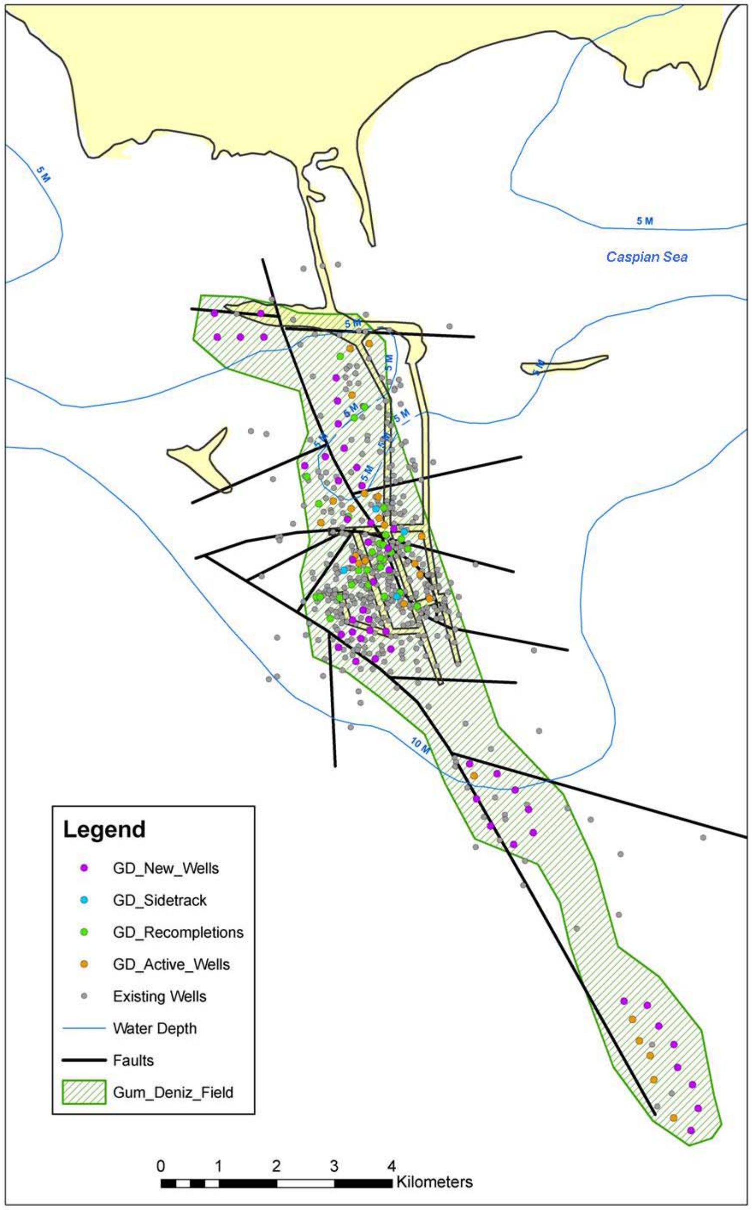
The Gum Deniz Oil Field was discovered in the early 1950's, and was previously known by the names Pescheny-More and Pescheny Island Field. Production began from the Gum Deniz Oil Field in 1955. The Gum Deniz Oil Field is located in shallow water (less than 10 m) approximately 20 km southeast of Baku immediately off the coast of Azerbaijan.

The productive stratigraphic interval found in the Gum Deniz Oil Field includes several productive formations. Specifically, the productive series section is from the top of the Balakhany suite of rocks through the PK suite of rocks. The following productive units have been identified: IV, V, VI, VII, VIII, IX, X (all in the Balakhany Suite), "Perery", NKP, SP, PK and KAS suites. See example well log for the Gum Deniz well #456 below. In total, 12 separate, vertical pays zones are found across the field. In several blocks, all 7 zones have been found productive. On average, 3-4 pay zones are found trapped in each of the productive fault blocks located inside the Gum Deniz Oil Field.



The Gum Deniz Oil Field was initially drilled and developed from an island and from a causeway built from the shore to what was believed to be the location of the field. Approximately 484 wells have been drilled in the field. The Gum Deniz Oil Field is located along the Fatmai - Gum anticline trend up dip from the Bahar Gas Field. The faulted anticline is broken into 16 fault blocks, 11 of which have established commercial production.

Gum Deniz Field Development Plan



The oil accumulations in the Gum Deniz Oil Field contain oil gravity ranging from 20º to 44º. Shallow horizons have lower gravity crude while the deeper horizons have increased gravity. Overall crude gravity is found to be approximately 36º. The reservoir rocks (sandstone and siltstones) are of good quality. Average porosity ranges from 10 to 22% and permeability ranges from 10 to 1,200 md. Most producing zones display permeabilities in the 100 to 230 md range.

Current development in the Gum Deniz Oil Field has established production over a stratigrahic interval of more than 5,200 feet containing as many as 12 individual pay zones within this interval. The field started producing in 1955 and has produced approximately 207 MMbl and 581 Bcf of gas as of December 31, 2009. Due to the slow style of Soviet era development, the maximum daily oil production of 46,400 bbl/d was not achieved until 10 years later in 1964.

Development Plan for Gum Deniz Oil Field

Bahr Energy's near term activity plan is broken into four phases of specific work. Due to the number of available wellbores no new well drilling is planned until Phase 4. The main objectives are as follows for the near term program:

(a) a well optimization program to increase daily production during the first six months;
(b) a recompletion and side track program to increase daily production and to add proved producing reserves;
(c) install three new platforms and drill 36 new development wells to develop reservoirs found in fault blocks that could not be accessed from the causeway development program; and
(d) to increase daily production to approximately 12,500 bbl/d or approximately 30% of the level previously established in the field.

In Phase 1, an aggregate of 24 well optimization upgrades are planned on active producing wells, and will focus on replacing failed tubing and place downhole electric submersible pumps on selected wells. The Phase 1 program is expected to result in an increase in daily production.

Phase 2 includes recompletion activities in zones of wells that have not previously been perforated and produced. An aggregate of 25 recompletions are planned in Phase 2.

Phase 3 includes sidetracking approximately 4 existing wellbores to access zones that have yet to be perforated and produced. These wells are deeper than the existing wellbore depths. In addition, Bahar Energy plans to construct and install 5 new offshore platforms.

Phase 4 includes drilling up to 36 new development wells in the field. The Corporation will utilize new directional drilling technology to access parts of the field that could not previously be reached from the Soviet causeway systems. On the southeastern portion of the field, it is anticipated that one of the platforms will be used to expand the field area that is currently only partially developed.

Description of the ERDPSA

Background

Over the years, as part of identifying growth opportunities for the Corporation, Mr. MacDougal formed a business development relationship with the Chairman of Baghlan which lead to the evaluation of the rehabilitation and development of the Bahar Gas Field among other projects in the region. Management considers Baghlan to have considerable oil marketing and transportation logistics expertise in the region and was already in joint ventures with SOCAR. Mr. MacDougal is knowledgeable of the Azerbaijan oil and gas industry after his involvement with SOCAR in the first onshore PSA in Azerbaijan in the mid 1990's. As head of Union Texas Petroleum in Azerbaijan from 1996 to 1998, Mr. MacDougal became familiar with the operational aspects of working closely with SOCAR and rehabilitating mature oil and gas fields.

In 2009, the Corporation and Baghlan combined forces with RAFI and expanded their evaluation to also study the rehabilitation of the Gum Deniz Oil Field, which is located nearby the Bahar Gas Field. RAFI had gained considerable operational and well services knowledge in Azerbaijan from another onshore PSA it had entered into with SOCAR.

Together in 2009, the Corporation, RAFI and Baghlan formed Bahar Energy. Bahar Energy is a company incorporated in the Jebel Ali Free Zone, Dubai, UAE that is owned as to 33.33% by each of Greenfields Petroleum International Company Ltd. (an indirect wholly-owned subsidiary of the Corporation), Baghlan and RAFI.

On December 22, 2009, the ERDPSA with respect to the block including the Bahar Gas Field and the Gum Deniz Oil Field was entered into among SOCAR, Bahar Energy and SOA.

On February 11, 2010, the cabinet of Ministries of Azerbaijan approved the Government Guarantee of Commitments (the "**Government Guarantee**") under the ERDPSA by Order No. 34. On April 27, 2010, the Azerbaijan Parliament, also known as Milli Mejlis, ratified the ERDPSA.

On September 23, 2010, Bahar Energy, SOA and SOCAR completed this asset inventory and selection (as discussed below) and entered into the Bahar Gas Sales Agreement. SOCAR has formally established the Effective Date for the ERDPSA as October 1, 2010. Pursuant to the ERDPSA, Bahar Energy had the ability to select the assets, including offshore platforms, flowlines, wellbores, facilities, equipment and infrastructure, that Bahar Energy would accept as assets that are part of the ERDPSA. All non-selected assets remain the responsibility of SOCAR.

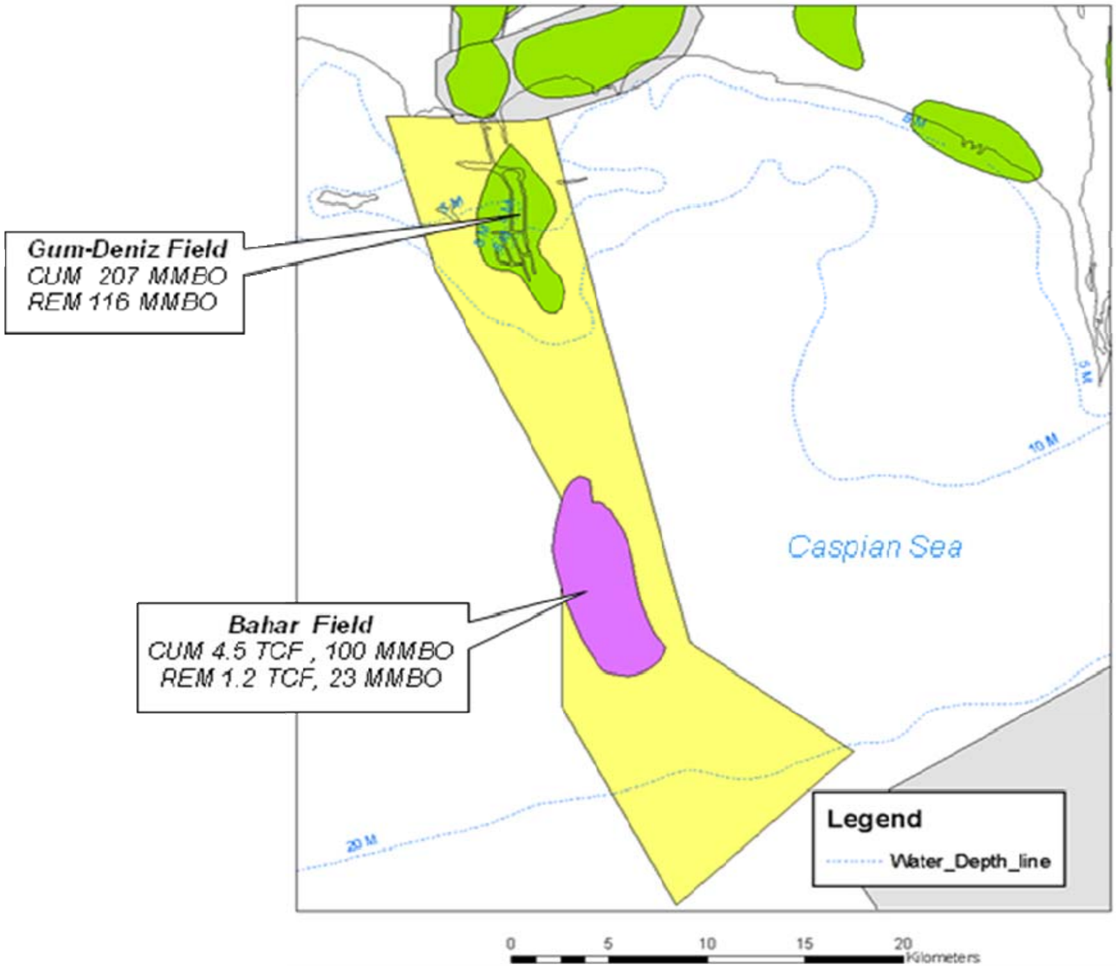
The ERDPSA covers an area of approximately 76,500 acres and is divided into a Rehabilitation Area and an Exploration Area as shown in the figure below. The Rehabilitation Area includes the Bahar Gas Field and Gum Deniz Oil Field, which had approximate average gross production for the month of September 2010 of 1,600 bbl/d and 14.3 MMcfd, or 3,983 boepd. The gross production from the Rehabilitation Area on September 29, 2010 was 2,065 bbl/d and 18.93 MMcfd, or 5,220 boepd. The development and production period in the Rehabilitation Area will have a term of 25 years, which may be extended by mutual agreement for an additional five years. The Exploration Area does not currently contain any commercial oil or gas fields. The exploration period in the Exploration Area has an initial term of three years which can be extended for one year at the request of the Contractor Parties. In the event of a commercial discovery in the Exploration Area, the exploration and production period for the Exploration Area will have a term of 25 years, which may also be extended by mutual agreement for an additional five years. The Corporation's estimated working interest production for the Corporation's 33.33% indirect ownership in Bahar Energy is 533 bbl/d and 4.77 MMcfd, or 1,327 boepd, based on average monthly production for September 2010. The working interest production from the Rehabilitation Area on September 29, 2010 was 688 bbl/d and 6.31 MMcfd, or 1,740 boepd.

Recent Events

In 2009, SOCAR commenced drilling a well in the Bahar Gas Field to evaluate the potential of the PK producing zone. Several previous wells in the Bahar Gas Field had produced from the PK zone at depths greater than 16,000 feet. The well was logged in August 2010 and log data suggested 28 feet of pay existed in the PK zone. On September 21, 2010, SOCAR perforated and logged pay in the PK zone. It is anticipated that before the end of October 2010 that well #209 production will be put into the sales pipeline for both oil and gas. The results of well #209 were not included in the Miller Lents Report as of April 1, 2010.

In June 2010, the Bahar Gas Field well #238 suffered a tubing failure. Prior to having mechanical troubles, this well was producing approximately 3.5 MMcfd. In August 2010, SOCAR commenced a fishing job in order to repair and return the well to production. Due to equipment limitations, SOCAR has yet to complete the fishing job and return this well to production. Prior to the tubing failure, well #238 was producing approximately 20% of the gas from the Bahar Gas Field. BEOC intends to design a repair program and attempt to bring the well back on production once the appropriate equipment has been procured and delivered.

ERDPSA



Terms of the ERDPSA

Pursuant to the ERDPSA, the Contractor Parties are obligated to:

(a) pay SOCAR a signing bonus of US$2 million (US$666,667 of which is allocated to the Corporation) within 30 days after the effective date of the ERDPSA, which signing bonus was received by SOCAR on October 28, 2010; and

(b) pay annual acreage fees to SOCAR for three years (or four years if the exploration period is extended) in the amount of US$216,000 per annum (US$72,000 per annum of which is allocated to the Corporation).

These bonus and acreage fees are not recoverable by Bahar Energy from production revenue pursuant to the ERDPSA.

Pursuant to the ERDPSA, the Contractor Parties are required to increase production in the Rehabilitation Area within three years to 1.5 times the 2008 production levels from the Bahar Gas Field and the Gum Deniz Oil Field of each of oil and natural gas (the "**Production Condition**"). For the purposes of the ERDPSA, the parties have acknowledged the 2008 production levels of the Gum Deniz Oil Field and the Bahar Gas Field were 1,233 bbl/d and 18.8 MMcfd, respectively. If the Production Condition is met, Bahar Energy will pay a bonus of US$2 million to SOCAR (US$667,000 of which is allocated to the Corporation). This payment is not recoverable by Bahar Energy from production revenue pursuant to the ERDPSA. Failure to reach the Production Condition within three years may result in the termination of Bahar Energy's rights in respect of the Rehabilitation Area at SOCAR's discretion.

In the Exploration Area of the ERDPSA, the Contractor parties are required to:

(a) acquire a minimum of 60 square kilometers of 3-D seismic (estimated cost to the Corporation is US$1,550,000); and
(b) drill at least one exploration well.

Failure to acquire such seismic or to drill such exploration well within the exploration period of three years from the effective date of the ERDPSA gives SOCAR the right to terminate Bahar Energy's rights in respect of the Exploration Area. Bahar Energy will assess the economic merit of drilling an exploration well based on the results of the analysis of the 3-D seismic data.

In the event that either the Rehabilitation Area or Exploration Area is terminated, Bahar Energy will not be able to recover costs incurred in relation to such area in the Bahar Project.

Bahar Energy has the obligation to carry the costs attributable to SOA's 20% participating interest in respect of:

(a) operations in the Rehabilitation Area from the effective date of the ERDPSA until the production from the Rehabilitation Area equals two times the 2008 production levels described above; and
(b) operations in the Exploration Area from the effective date of the ERDPSA until the commencement date of commercial production from the Exploration Area (collectively, the "**Carry**").

These costs carried by Bahar Energy on behalf of SOA are to be repaid from SOA's share of cost recovery and profit production from the Rehabilitation Area and the Exploration Area, respectively. Further, as the Rehabilitation Area is currently producing both oil and gas, 5% of the production (referred to as "**Compensatory Production**") for the first three years of the ERDPSA is to be delivered to SOCAR as Compensatory Production. The percentage increases to 10% of production commencing in the fourth year of the ERDPSA until the amount of production delivered is the equivalent of 1.23 MMbbl of oil and 22.2 Bcf of gas. After this threshold is reached, no additional Compensatory Production is required to be paid to SOCAR.

The Corporation's cash requirements necessary to satisfy past and estimated future commitments total US$39,868,622, consisting of the Corporation's share of capital expenditures on the Bahar Project through the date of estimated positive cash flows for : (i) recompletions and workovers of US$13,951,084; (ii) platforms and facilities of US$18,407,538; (iii) equipment, including workover rigs, liftboat, barge, cranes and crewboat of US$4,630,000; (iv) Exploration Area seismic costs of US$1,550,000; and (v) ERDPSA signing bonus and production payments of approximately US$1,330,000 (US$666,667, and US$667,000, respectively). See "*Use of Proceeds - Principal Purposes*".

Production revenue under the ERDPSA is allocated as follows:

(a) the Contractor Parties recover operating costs;
(b) the Contractor Parties recover capital costs up to a maximum of 50% of sales revenue after deducting operating costs. Unrecovered capital costs are considered to be financed, and these are carried forward and earn interest equal to LIBOR plus 4% of the amount of any unrecovered capital costs; and
(c) the balance of sales revenue ("**Profit Oil**") is split between SOCAR and the Contractor Parties based on a series of "R" factors as follows:

The "R" factor for any particular quarter is calculated based on the following formula:

$$R = \frac{(A(n) + B(n) + C(n))}{D(n)}$$

Where: "A(n)" is the paid volume of the Contractor Parties' cumulative (overall) capital expenses recovered up to and including the previous quarter;

"B(n)" is the paid volume of the Contractor Parties' cumulative (overall) financing costs (credit interest rates) recovered up to and including the previous quarter;

"C(n)" is the cumulative (overall) value of profit oil lifted by the Contractor Parties up to and including the previous quarter;

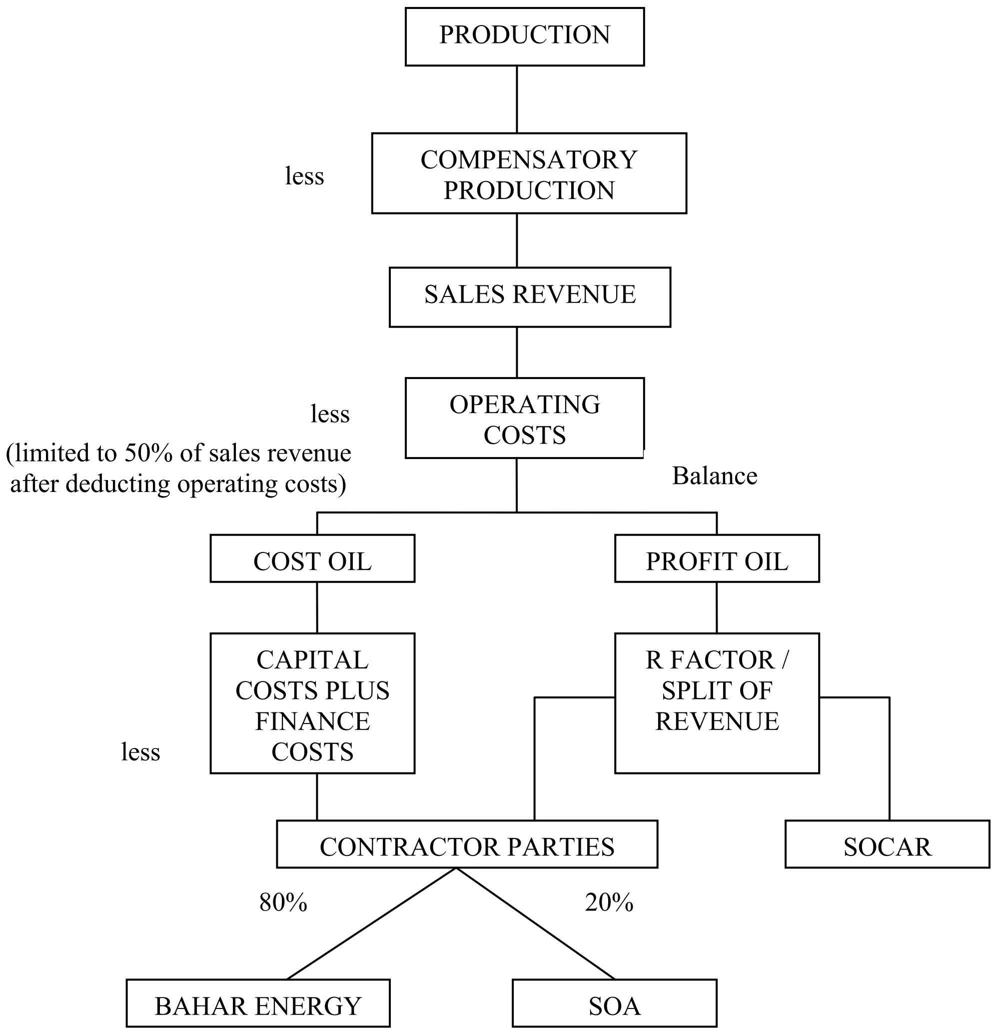
"D(n)" is the volume of cumulative (overall) capital expenses incurred by the Contractor Parties up to and including the previous quarter.

The Contractor Parties' share of production varies between 60% and 10% (based on the results of the above "R" factor formula) as follows:

"R"-factor	SOCAR Share (%)	Contractor Parties' Share (%)
$0.00 \leq R < 1.25$	40.0	60.0
$1.25 < R \leq 2.00$	50.0	50.0
$2.00 < R \leq 2.75$	70.0	30.0
$2.75 < R \leq 3.00$	80.0	20.0
$3.00 < R$	90.0	10.0

This mechanism for dividing profit oil, including the proportions allocated to SOCAR and the Contractor Parties, is comparable to other Azerbaijan PSAs.

There is neither a minimum nor a maximum restriction on the revenues that may accrue to Bahar Energy with respect to the division of revenues between SOCAR and Bahar Energy.



ERDPSA Tax Provisions

Pursuant to the ERDPSA, a tax credit equivalent to 22% of the profit is paid by SOCAR, on behalf of the Contractor Parties, to the government of Azerbaijan. The Corporation anticipates that it will be in a tax paying position in the U.S. in approximately two years and that such taxes can be partially offset by the aforementioned tax credit. In addition, the Contractor Parties are exempt from all other taxes, duties and royalties in Azerbaijan, other than customs fees, personal income tax and contributions to the state social insurance funds of Azerbaijan.

Facilities Access and Environmental Matters

Pursuant to the ERDPSA, the Contractor Parties have complete use during the term of the ERDPSA of all existing wells and facilities to carry out operations in the Bahar Gas Field and Gum Deniz Oil Field. SOCAR has agreed to indemnify the Contractor Parties for all environmental conditions prior to the effective date of the ERDPSA and SOCAR has assumed all remediation obligations for these environmental liabilities. An environmental assessment and baseline is currently being completed by Bahar Energy to establish conditions as at the effective date of the ERDPSA.

Governing Law

The ERDPSA is governed by principles of law common to the laws of Azerbaijan and English law, and to the extent that no common principles exist, then in accordance with the laws of the Province of Alberta (except for laws regarding conflict of laws). In addition, the ERDPSA contains provisions for international dispute resolution, arbitration, confidentiality, waiver of sovereign immunity, and economic stabilization for the protection of the foreign contractor.

Force of Law

The terms of the ERDPSA provide that since it is now ratified by the Parliament of Azerbaijan, the ERDPSA will has the force of law in Azerbaijan and became effective as at October 1, 2010, a feature that management of the Corporation believes will provide greater protection from changes in local law than enjoyed by other PSAs in Azerbaijan that do not share that feature.

Guarantee

To meet one of the conditions precedent under the ERDPSA, the shareholders of Bahar Energy, including the Corporation's subsidiary Greenfields Petroleum International Company Ltd., executed a joint ultimate parent company guarantee dated effective February 19, 2010 (the "**Guarantee**") in favour of SOCAR, guaranteeing to provide Bahar Energy with all funds necessary for it to fulfill all of its obligations, financial or otherwise, under the ERDPSA. Payment under the Guarantee is due only after a default by Bahar Energy under the ERDPSA has been established pursuant to an arbitration award against Bahar Energy. Any dispute under the Guarantee is to be resolved by arbitration in the same manner as provided for in the ERDPSA.

Description of Government Guarantee

In connection with the ERDPSA and pursuant to the Government Guarantee, the Government of Azerbaijan has guaranteed and undertaken, among other things:

(a) the rights granted or to be granted by SOCAR to the Contractor Parties under the ERDPSA;
(b) those obligations undertaken or to be undertaken by SOCAR under the ERDPSA;
(c) that SOCAR has the authority to grant the rights to the Contractor Parties under the ERDPSA;
(d) that the Government of Azerbaijan shall not enter into treaties, intergovernmental agreements or other arrangements that would diminish or infringe upon the rights and interests of the Contractor Parties under the ERDPSA;
(e) that none of the Contractor Parties' rights, interests or property shall be expropriated, nationalized or taken by reason of any act of any authority of the Government of Azerbaijan; and
(f) that no grant of rights to explore for and develop reserves in the area governed by the ERDPSA shall be given or permitted to be given to any parties other than the Contractor Parties during the term of the ERDPSA, or any extension thereof.

In addition, the Government of Azerbaijan has agreed and undertaken to take all measures necessary within the framework of its authority to ensure that all rights, privileges and exemptions granted under the ERDPSA and the Government Guarantee have full legal force and effect. The Government Guarantee is governed by the same choice of law and dispute resolution mechanism as the ERDPSA.

Operational Matters

Description of the Joint Operating Agreement

BEOC was formed pursuant to the terms of the ERDPSA, which requires the establishment of an operating company to conduct the operations under the ERDPSA on behalf of the Contractor Parties. For the purpose of regulating operations and the relations between the Contractor Parties and BEOC in the exercise of each of their respective rights and obligations under the ERDPSA, Bahar Energy, SOA and BEOC entered into the Joint Operating Agreement which contains, among other things, the following terms:

(a) Participating Interests - All rights, obligations and interests under the ERDPSA, including the production attributable thereto, will be held by the Contractor Parties in accordance with their participating interests as follows:

SOA	20%
Bahar Energy	80%

The obligations of the Contractor Parties under the ERDPSA will be charged to a joint account and paid by each as to its participating interest except as are attributable to bonus payments and other specified expenses to be paid by Bahar Energy only, including costs attributable to the Carry.

(b) Operating Company - Operations under the ERDPSA and Joint Operating Agreement will be conducted by BEOC in accordance with the directions of an established management committee acting in accordance with the ERDPSA. BEOC will represent the Contractor Parties in all dealings with the Government of Azerbaijan relating to the ERDPSA and operations thereunder. BEOC as the operating company will neither suffer a loss nor gain a profit as a result of joint operations under the ERDPSA, and will be indemnified by the Contractor Parties for liabilities associated therewith. BEOC is prevented from undertaking any business activity except as provided in the Joint Operating Agreement.

(c) Management Committee - A management committee will be established to supervise operations, including approving work programs and budgets relating to exploration and development operations, and will consist of one representative appointed by each of SOA and Bahar Energy. Each representative has a vote equal to the participating interest of the Contractor Party such person represents. Decisions of the management committee will be made by the affirmative vote of at least 80% of the participating interests. Following the termination of the Carry, certain limited decisions will require unanimity, including amendment or termination of the Joint Operating Agreement or ERDPSA. The management committee will meet at least twice a year.

(d) Default – A Contractor Party (except SOA during the period of the Carry) which fails to pay its participating interest share of any cash call is deemed to be in default, and may be subject to interest payments, production penalties and other restrictions. Should the default continue for more than 60 days, the defaulting party may lose its participating interest to the non-defaulting parties.

(e) Sole Risk – Provisions are included for sole risk operations, meaning operations permitted to be preformed exclusively by one party under certain circumstances, with significant penalties to the non participating party should such party desire to participate in the sole risk operation at a later stage.

(f) Assignment - The Assignment of a participating interest by a Contractor Party is subject to a right of first refusal of the other Contractor Party exercisable within 30 days of notice. Assignments to affiliates are not subject to such right of first refusal.

(g) Dispute Resolution – The Joint Operating Agreement is governed by English law, and disputes are resolved by an international dispute resolution procedure.

(h) Other Provisions - In addition to the foregoing, the Joint Operating Agreement contains provisions typical and expected in similar agreements, including those relating to insurance, third party claims, work programs and budgets, force majeure and confidentiality, which may impose additional obligations on the Contractor Parties and BEOC.

Description of the BEOC Shareholders Agreement

BEOC was formed as a not for profit company pursuant to the terms of the ERDPSA, which requires the establishment of an operating company to conduct operations under the ERDPSA on behalf of the Contractor Parties. BEOC is owned 80% by Bahar Energy and 20% by SOCAR on behalf of SOA, effective as of October 1, 2010. In order to regulate the operation and management of BEOC, the shareholders of BEOC entered into a shareholders' agreement ("**BEOC Shareholders Agreement**"), effective October 1, 2010. The BEOC Shareholders Agreement contains, among other things, the following terms:

(a) Shareholders - The BEOC Shareholders Agreement recognizes that the shareholders are the supreme authority of BEOC, and provides for both annual and extraordinary general meetings. The BEOC Shareholders Agreement provides that all resolutions put to a vote of the shareholders be approved by not less than 80% of the shares having the right to vote on the relevant matter.

(b) Board - The board is comprised of five directors, four being appointed by Bahar Energy and one by SOA. Decisions of the board are to be made by affirmative vote of 80% of the directors, except that the director appointed by SOA shall not have the right to participate in any decisions on matters regarding the implementation of work financed by Bahar Energy pursuant the Carry. Board meetings will be held at least annually.

(c) Officers - The board is responsible for appointing the President of BEOC, who in turn is responsible for appointing all other officers in accordance with the terms of the Joint Operating Agreement.

(d) Share Transfers - Shares of BEOC may be transferred only to the extent that a corresponding interest in the ERDPSA is transferred. Conversely, shares of BEOC must be transferred if and to the extent that a participating interest in the ERDPSA is transferred.

(e) Compliance with ERDPSA - BEOC must comply with all instructions of the management committee formed under the Joint Operating Agreement and conduct its operations in accordance with the Joint Operating Agreement in compliance with the ERDPSA.

Economic

Pursuant to the economic stabilization clause of the ERDPSA, in the event that any government authority in Azerbaijan adversely affects the rights of Bahar Energy under the ERDPSA, SOCAR has agreed to re-establish the economic equilibrium for Bahar Energy in order to return Bahar Energy to the same economic position prior to such event.

Pricing and Marketing

Oil Sales

In Azerbaijan, SOCAR, and any foreign company producers of oil, such as Bahar Energy, negotiate sales contracts directly with oil purchasers, at selling prices that are generally derived from benchmark crude oil reference prices such as Brent Index. Actual selling prices may vary from posted benchmark selling prices to reflect factors such as oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance.

BEOC, as agent on behalf of the Contractor Parties, has entered into the Bahar Oil Sales Agreement with SOCAR as the buyer for the sale of oil from the ERDPSA. Pursuant to the Bahar Oil Sales Agreement, SOCAR will purchase the oil attributable to production from the ERDPSA and sell an equivalent volume of oil, less capped transportation losses, (on behalf of Bahar Energy) at the export point as part of larger lots of SOCAR's export oil. Bahar Energy will sell the oil to SOCAR at the same price that SOCAR receives as the sale price under its export contract, less a one percent (1%) commission and costs, including transportation, not to exceed certain specified amounts. The Bahar Oil Sales Agreement may be terminated by either party upon fourteen (14) days advance notice.

The Bahar Oil Sales Agreement is governed by the laws of Azerbaijan and contains an international dispute resolution procedure, confidentially provisions, and a waiver of sovereign immunity for the protection of the Contractor Parties.

Through SOCAR, Bahar Energy has access to various pipeline and commercial railcar options to any of the four regional export points: Batumi, Georgia by rail cars; Supsa, Georgia by Western pipeline; Novorossisk, Russia by Northern pipeline; or Ceyhan, Turkey by BTC pipeline. From these ports, the Bahar Energy 33 degree API crude will trade as Azeri Light oil, which recently has traded at a slight premium to the Brent Index oil price.

The Corporation believes that each of these transportation alternatives and quality adjustments will cost approximately US$4 per barrel, resulting in a net price at the field of approximately Brent Index minus US$4 per barrel.

Gas Sales

BEOC, as agent on behalf of the Contractor Parties, has entered into the Bahar Gas Sales Agreement with SOCAR as the buyer for the sale of gas from the Bahar Gas Field.

The five year take or pay Bahar Gas Sales Agreement commenced on October 1, 2010 and is renewable by mutual agreement. The agreement provides for a minimum gas price of US$140 per 1000 standard cubic meters (approximately US$3.96 per Mcf) with a three year "Buildup Period" and two year "Firm Period". The gas price is not subject to escalation over the five year term. The first three years of the contract period allow the Contractor Parties to develop the Bahar Gas Field and increase the volume of gas deliveries to the Buyer. All volumes correctly nominated by the Contractor Parties are subject to a take or pay by SOCAR.

The final two years of the Bahar Gas Sales Agreement are a "Firm Period" in which the daily contract quantity ("**DCQ**") is fixed 180 days before the beginning of the fourth year. All volumes correctly nominated by the Seller up to the DCQ are subject to a take or pay by SOCAR. All excess gas sales requested by SOCAR above the DCQ are priced at contract gas prices.

If in any month during the term of the agreement, the volume of gas deliveries falls below the DCQ and the Contractor Parties are unable to make up the short fall in the current month, these short fall volumes would be sold to SOCAR at a discount of up to 20% below the contract price in the following month.

The Bahar Gas Sales Agreement is governed by English law and contains an international dispute settlement procedure, confidentiality provisions, and a waiver of sovereign immunity for the protection of the Contractor Parties.

Effect of Sales Agreements on Reserves

Since the date of the Miller Lents Report, which was effective as of April 1, 2010, the Bahar Gas Sales Agreement and the Bahar Oil Sales Agreement have been entered into and became effective on October 1, 2010. The natural gas contract price pursuant to the Bahar Gas Sales Agreement is a fixed price of US$3.96 per Mcf, which is lower than the fixed forecast price of US$4.80 per Mcf used in the Miller Lents Report, resulting in a decrease in the Corporation's share of Bahar Energy's future net revenue (before income tax discounted at 10%) attributable to its reserves of approximately 3.3% for the Bahar Gas Field. Concurrently, pursuant to the Bahar Oil Sales Agreement oil will be sold based on the Brent Index. The Corporation's share of Bahar Energy's future net revenue attributable to its oil reserves for the Gum Deniz Oil Field has increased due to a reduction of the transportation and quality discount as well as the increased Brent Index oil price as of September 29, 2010, compared to the oil price used in the Miller Lents Report, approximately offsetting the decrease in the future net revenue attributable to the reserves in the Bahar Gas Field as a result of the lower fixed price in the Bahar Gas Sales Agreement. As a result, based on the Corporation's internal analysis, management of the Corporation is of the opinion the final terms of the Bahar Gas Sales Agreement and the Bahar Oil Sales Agreement do not materially affect the combined value of the Corporation's share of Bahar Energy's future net revenue (before income taxes discounted at 10%) attributable to its reserves, as presented in the Miller Lents Report.

Acquisitions and Dispositions

Effective January 1, 2010, in consideration for the release by RCH II of the rights that RCH II held to participate in the International Opportunities pursuant to the BOA, the Corporation, Alex T. Warmath and Richard E. MacDougal, and RCH II and RCH III entered into the Amending Agreement. See "*Business of the Corporation - General Development of the Business*" for a further description.

In May 2008, Greenfields Petroleum (Indonesia) Company Ltd., at the time a direct wholly-owned subsidiary of the Corporation, purchased for approximately US$1.9 million a company with assets in Indonesia which it re-named Greenfields Petroleum (Lahat) Company. Greenfields Petroleum (Lahat) Company owned 100% of Bunga Mas International Company ("**BMIC**"), a company holding a 51% interest in the Bunga Mas PSC. In June 2008, BMIC opened an office in Jakarta, Indonesia and commenced operations. At such time, the Corporation also commenced activities to procure funding for BMIC's share of the work obligations under the Bunga Mas PSC. In the fall of 2008, the Corporation sold a 15% interest in Greenfields Petroleum (Indonesia) Company Ltd. to an unaffiliated third party.

Due to adverse market conditions as a result of the worldwide financial crisis and the desire of the Corporation to focus management time and attention on Azerbaijan, the Corporation elected to divest its interest in Greenfields Petroleum (Lahat) Company which indirectly owns a 51% working interest through its wholly owned subsidiary, Bunga Mas International Company ("**BMIC**") in the Bunga Mas PSC in South Sumatra, Indonesia. On April 14, 2009, Greenfields Petroleum (Lahat) Company's parent company, Greenfields Petroleum (Indonesia) Company Ltd., entered into a sale and purchase agreement with APEC Indonesia Limited pursuant to which it sold Greenfields Petroleum (Lahat) Company to APEC Indonesia Limited for consideration of approximately US$5.3 million, as well as a contingent net profits interest. The contingent net profits interest took the form of a deferred payment agreement dated April 24, 2009, pursuant to which APEC Indonesia Limited agreed to pay Greenfields Petroleum (Indonesia) Company Ltd. a deferred purchase price payment in installments equal to 4% of BMIC's share of the crude oil remaining after the deduction of operating costs (otherwise known under the Bunga Mas PSC as "**Profit Oil**"), reduced by the amount of certain Indonesian taxes. Payments begin with the first production of Profit Oil from the area of the Bunga Mas PSC and will terminate when the installment payments total US$8.0 million. To date, no production has been realized by BMIC from the area of the Bunga Mas PSC. Greenfields Petroleum (Indonesia) Company Ltd. has agreed to indemnify up to a maximum of US$150,000 to APEC Indonesia Limited Company in respect of potential future reclamation efforts related to two previously established well locations, if required by the regulatory authorities. Greenfields Petroleum (Indonesia) Company Ltd. has also agreed to indemnify the buyer of Greenfields Petroleum (Lahat) Company for liabilities that might arise in the future for events that transpired during the period Greenfields Petroleum (Indonesia) Company Ltd. held its interest in Greenfields Petroleum (Lahat) Company. The maximum amount of the latter indemnification cannot be reasonably estimated due to its nature nor are such events considered likely. Historically, Greenfields Petroleum (Indonesia) Company Ltd. has not made any payments relating to such indemnification.

Employees

As at June 30, 2010, the Corporation had nine full-time employees and three full-time consultants. It also regularly utilizes the services of additional professionals on a part-time contract or consulting basis.

The executive management team of the Corporation includes oil and gas professionals with over 200 years of combined industry experience. Relying on the knowledge and experience of this team, the Corporation intends to focus on the development of its assets in Azerbaijan, as well as selectively pursue other international oil and gas opportunities with similar commercial development and production profiles.

INDUSTRY CONDITIONS

Overview of Oil and Gas Industry in Azerbaijan

The oil and gas industry plays a key role in the economy of Azerbaijan. Azerbaijan is emerging as an important exporter of oil and natural gas, mainly through production from offshore exploration in the Caspian Sea, where its largest hydrocarbon reserves are located. Azerbaijan also has strategic importance as a transport corridor between Europe and Central Asia, and has three major oil export pipelines, being the Baku-Tbilsi-Ceyhan ("**BTC**") pipeline, the Baku-Novorossiysk pipeline and the Baku-Suspa pipeline, and one major natural gas pipeline, being the Baku-T'bilisi-Erzurum pipeline (also known as the "**South Caucasus Pipeline**").

During the declining years of the USSR, each of its constituent republics drew up various estimates of the prospective wealth that sovereignty would bring. These views of an independent political and economic future differed. Azerbaijan saw its economic future in the development of its oil reserves. The economic independence act adopted on May 25, 1991, coupled with the de jure re-instatement of political independence on October 18, 1991, paved the legal path for Azerbaijan to start independently producing and selling its oil production. Production, however, was declining amid the degeneration of economic and political stability. The depletion of existing fields and the lack of independent financing and local know-how made turning to foreign oil companies for offshore upstream development an unavoidable choice. To provide a basic legal guideline, with respect to foreign investment into its economy, Azerbaijan adopted a law on the protection of foreign investment in January 1992. On the administrative side, in September 1992 SOCAR was established by consolidating Azerineft and Azneftkimya, the two state entities that previously managed oil exploration, extraction, transportation and refining in Azerbaijan.

SOCAR is responsible for producing oil and natural gas in Azerbaijan, operating the country's refineries, running the pipeline system and managing Azerbaijan's oil and gas imports and exports. SOCAR is a party to all of the international consortia developing oil and gas projects in Azerbaijan, and the Ministry of Industry and Energy of Azerbaijan handles exports, as well as exploration and production agreements with foreign companies.

With virtually no legal landscape existing for PSAs in Azerbaijan, investors were left with a choice of having the PSA conform to the scarcely existing legal landscape or to negotiate benefits that would then be passed into law to fill the existing legislative gaps. On September 20, 1994, when the first major PSA was signed, Azerbaijan agreed to submit the government's most important commercial deals to the legislature for their approval and adoption into law paving the way for subsequent PSAs and eventually the government's approval of the Corporation's ERDPSA.

According to the United States Federal Department of Energy - Energy Information Administration ("**EIA**"), total oil production in Azerbaijan increased from 180,000 bbl/d in 1997 to 1,010,000 bbl/d in 2009, and Azerbaijan had estimated net oil exports in 2009 of 875,000 bbl/d. Most of Azerbaijan's oil is exported via pipeline, but small amounts are shipped by truck and railway. The majority of oil exports pass through the BTC pipeline system which runs 1,110 miles from certain fields in the Caspian Sea, via Georgia, to the Mediterranean port of Ceyhan, Turkey. From there the oil is shipped by tanker, principally to European markets.

According to the EIA, Azerbaijan produced 572 Bcf of natural gas in 2008. It became a net exporter of natural gas in 2007, and in 2008 Azerbaijan exported an estimated 196 Bcf, via the South Caucasus Pipeline, which runs parallel to the BTC oil pipeline for most of its route, before connecting with the Turkish pipeline network at Horosan, Turkey.

In order to meet any future increase in demand from international markets, the government of Azerbaijan is expanding its existing foreign oil and gas company partnerships, including the ERDPSA. They also continue to develop additional offshore platforms, expand output from current producing fields, and in 2009 were involved in preliminary negotiations with both Russia and Turkey for the construction of a new gas pipeline. Advances in technology, industry practice and exploitation of existing infrastructure, are also assisting in the conversion of previously marginal prospects into potentially profitable projects.

Azerbaijan Economic and Political Environment

Since the fall of the Soviet Union, Azerbaijan has grown its economy from revenues from large oil development projects.

Contract stability is built into the legislative process of parliamentary approval, thus giving contracts force of law and economic certainty.

Azerbaijan is still technically at war with its neighbor Armenia but has been living under a truce of hostilities.

Azerbaijan has relatively good relations with its neighbor to the south, Iran, as Iran's population is approximately 30% Azeri. There is some minor tension with Turkmenistan across the Caspian to the east due to border disputes over a discovered oil deposit in the central region along the Absheron sill (an extension of the Absheron peninsula which runs as an underwater mountain ridge across the Caspian to the Turkmenistan side). Azerbaijan enjoys good relations with its neighbors across the Caspian Sea (Kazakhstan and to some extent Turkmenistan) due to its transit ability for oil movements into its rail and pipeline systems to the Georgian (Black Sea) coast and through Turkey to the Mediterranean port of Ceyhan.

Many major international oil and natural gas companies have a presence in Azerbaijan and are actively producing oil and natural gas, including companies from Turkey, Russia, Germany, the United Kingdom, the United States and Canada. Over 28 contracts have been signed with foreign oil and natural gas companies to develop and produce hydrocarbons both onshore and offshore in Azerbaijan.

Environmental Regulation

Globally, the oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation in each of the countries with oil and natural gas operations. In emerging nations, such as Azerbaijan, where environmental regulations and legislation are evolving, many oil and natural gas exploration and production companies operate in accordance with standards prevailing in established oil and natural gas producing jurisdictions, such as the United States. The Corporation is committed to conducting its operations in Azerbaijan in accordance with environmental standards used by other international oil and natural gas exploration and production companies. In most countries, environmental legislation includes restrictions and prohibitions on releases or emissions of various substances produced in association with certain oil and natural gas industry operations. Such legislation can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, typical legislation requires that well and facilities sites are abandoned and reclaimed to the satisfaction of regulatory authorities. A breach of such legislation may result in the imposition of fines or issuance of clean-up orders. In many jurisdictions, new legislation, environmental standards and compliance for releases, site restoration and reporting are becoming stricter and more onerous. Also, the range of enforcement actions available and the severity of penalties have also been significantly increased.

STATEMENT OF RESERVES DATA AND OTHER OIL AND NATURAL GAS INFORMATION

The information set out below (the "**Reserve Data**") is presented in accordance with and pursuant to NI 51-101. In reference to Bahar Energy's crude oil and natural gas reserves in Azerbaijan, included as Schedule A of this prospectus is Form 51-101F2 "Report of Independent Qualified Reserves Evaluator" by Miller Lents with respect to the Miller Lents Report as of April 1, 2010, and included as Schedule B of this prospectus is the related Form 51-101F3 "Report of Management on Oil and Gas Disclosure". All of the aforementioned items were prepared in accordance with the requirements of Form 51-101F1, using assumptions and methodology guidelines outlined in the Canadian Oil and Gas Evaluation Handbook ("**COGE Handbook**").

Bahar Energy selected and engaged Miller Lents to provide the evaluation of its proved and probable reserves in Azerbaijan due to Miller Lents' extensive experience and history of evaluating reserves in the region. The following tables set out below certain information relating to crude oil and natural gas reserves and the present worth of future net cash flows associated with such reserves from the Miller Lents Report as of April 1, 2010.

Subsidiaries

Bahar Energy, an indirect 33.33% subsidiary of the Corporation, owns an 80% participating interest in the Bahar Project through its rights in the ERDPSA.

MILLER LENTS REPORT REGARDING THE BAHAR PROJECT

Introduction

The Miller Lents Report was prepared by Miller Lents and estimates the reserves of Bahar Energy located in the Bahar Project, which it holds pursuant to the ERDPSA. The estimated reserves included in the Miller Lents Report include all of Bahar Energy's interest in the Bahar Project, assuming that the ERDPSA had become effective by April 1, 2010. The Corporation owns a 33.33% indirect interest in Bahar Energy, and, as such, the reserve estimates and other data provided in this section which are derived from the Miller Lents Report reflect the Corporation's 33.33% indirect interest in the Bahar Project.

The Miller Lents Report is dated May 3, 2010; however, the effective date of the information contained in the Miller Lents Report is April 1, 2010.

All evaluations of future revenue are after the deduction of future income tax expenses (unless otherwise noted in the tables), royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. The estimated future net revenue contained in the following tables does not necessarily represent the fair market value of the Corporation's reserves. There is no assurance that the forecast price and cost assumptions contained in the Miller Lents Report will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are summarized in the notes to the following tables. The recovery and reserves estimates on the Bahar Project described in the Miller Lents Report are estimates only. The actual reserves on the assets described in the Miller Lents Report may be greater or less than those calculated.

The amounts included herein are the same on a before and after basis as Bahar Energy is not subject to tax in Azerbaijan.

The term Boe can be misleading, particularly if used in isolation. A Boe conversion of 6 Mcf of gas to 1 Bbl of crude oil is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Neither the reserves volumes in any category nor the future net revenues therefrom have been adjusted for risk or uncertainty. It may not be appropriate to combine proved and probable estimates without appropriate risk adjustment.

Reserves and Future Net Revenue

The following table discloses, in aggregate, the Corporation's 33.33% share of Bahar Energy's gross and net proved and probable reserves relating to the Bahar Project in Azerbaijan estimated using forecast prices and costs, by product type. "Forecast prices and costs" means future prices and costs used by Miller Lents in the Miller Lents Report that are generally accepted as being a reasonable outlook of the future or currently determinable future prices or costs to which the Corporation is bound.

SUMMARY OF RESERVES AS OF APRIL 1, 2010
(THE CORPORATION'S SHARE OF BAHAR ENERGY)
(FORECAST PRICES AND COSTS)

	Crude Oil		Natural Gas	
Reserves Category	**Gross[(1)] (Mbbls)**	**Net[(2)] (Mbbls)**	**Gross[(1)] (MMcf)**	**Net[(2)] (MMcf)**
Proved				
Developed Producing	1,701	1,111	21,254	13,922
Developed Non-Producing	1,916	1,172	64,956	39,068
Undeveloped[(3)]	2,393	1,206	-	(0)
Total Proved	6,010	3,489	86,210	49,554
Probable[(3)]	5,584	2,089	4,436	0
Total Proved Plus Probable	11,594	5,578	90,646	49,554

Notes:

(1) "Gross Reserves" are the Corporation's 33.33% share of Bahar Energy's reserves before the deduction of the interest of SOA and other amounts pursuant to the ERDPSA.

(2) "Net Reserves" are the Corporation's 33.33% share of Bahar Energy's reserves pursuant to the ERDPSA after the deduction of the interest of SOA and other deductions.

(3) The reserves data required to be reported by Item 2.1.1 of the Form 51-101F1 must be a positive volume, as the reserves data is an estimate of what may be recovered. All negative reserves volumes from the Miller Lents Report as of April 1, 2010 have been replaced with zero volumes and the totals are not adjusted from the Miller Lents Report of May 3, 2010. The Production Sharing Agreement ("**PSA**") model is not applied to the fields separately. The PSA uses combined total gross production from both fields to calculate net production. Within net reserves of the proved undeveloped ("**PUD**") and probable ("**PRB**") reserves categories, there are apparent anomalies resulting from the PSA model for Bahar Energy. For example, there are years PUD and PRB categories may have negative net gas production while gross gas production in those same years is positive. The proved developed producing ("**PDP**"), total proved and proved plus probable cases do not have anomalies in the natural gas reserves. The anomalies show up only in incremental subtraction cases (e.g. PUD and PRB) as a result of how interest is calculated in the PSA. These anomalies within the incremental cases are mainly caused by the proportionate share that the SOCAR will receive as stipulated in the PSA within a step function called R factor. A slight change in R factor can cause a significant increase in the government share of reserves and net cash flow between two cases in a given year. When these two cases are subtracted or incremented to calculate incremental reserves in that year, it can result in negative reserves for the operating company.

The following table discloses, in the aggregate, the Corporation's 33.33% share of net present value of Bahar Energy's future net revenue attributable to the reserves categories in the previous table, estimated using forecast prices and costs, before and after deducting future income tax expenses, and calculated without discount and using discount rates of 0%, 5%, 10%, 15% and 20% for the Miller Lents Report.

NET PRESENT VALUES OF FUTURE NET REVENUE
AS OF APRIL 1, 2010
FORECAST PRICES AND COSTS
(THE CORPORATION'S SHARE OF BAHAR ENERGY)

	Before Income Taxes Discounted At (%/year)					After Income Taxes Discounted At (%/year)				
Reserves Category	**0 (US$000)**	**5 (US$000)**	**10 (US$000)**	**15 (US$000)**	**20 (US$000)**	**0 (US$000)**	**5 (US$000)**	**10 (US$000)**	**15 (US$000)**	**20 (US$000)**
Proved Developed Producing	3,636	3,242	2,927	2,670	2,458	3,636	3,242	2,927	2,670	2,458
Proved Developed Non-Producing	83,860	64,757	51,008	40,859	33,204	83,860	64,757	51,008	40,859	33,204
Proved Undeveloped	41,694	30,277	22,610	17,279	13,460	41,694	30,277	22,610	17,279	13,460
Total Proved	129,190	98,276	76,545	60,808	49,122	129,190	98,276	76,545	60,808	49,122
Total Probable	91,345	64,795	47,341	35,484	27,200	91,345	64,795	47,341	35,484	27,200
Total Proved Plus Probable	220,535	163,071	123,886	96,292	76,322	220,535	163,071	123,886	96,292	76,322

The following table discloses, in the aggregate, the Corporation's 33.33% share of certain elements of Bahar Energy's undiscounted future net revenue attributable to its proved reserves and its proved plus probable reserves, estimated using forecast prices and costs, and calculated without discount for the Miller Lents Report.

TOTAL UNDISCOUNTED FUTURE NET CASH FLOWS US$(000's)
AS OF APRIL 1, 2010
FORECAST PRICES AND COSTS
(THE CORPORATION'S SHARE OF BAHAR ENERGY)[(1)(2)]

Reserves Category	**Revenue**	**Net Operating Costs**	**Net Development Costs**	**Future Net Revenue Before Income Taxes**	**Income Taxes**	**Future Net Revenue After Income Taxes**
Proved Developed Producing	146,241	142,604	-	3,636	-	3,636
Proved Developed Non-Producing	260,921	109,908	67,153	83,860	-	83,860
Proved Undeveloped	82,992	21,342	19,956	41,694	-	41,694
Total Proved	490,154	273,854	87,109	129,190	-	129,190
Total Probable	166,917	45,064	30,508	91,345	-	91,345
Total Proved Plus Probable	657,071	318,918	117,617	220,535	-	220,535

Notes:

(1) No column concerning royalties has been provided as Bahar Energy is not subject to royalties.

(2) No column concerning abandonment and reclamation costs has been provided as the Corporation is of the opinion that the salvage value of equipment will exceed such costs.

The following table discloses, by production group, the Corporation's 33.33% share of the net present value of Bahar Energy's future net revenue attributable to its proved reserves and its proved plus probable reserves, before deducting future income tax expenses, estimated using forecast prices and costs, and calculated using a 10% discount rate for the Miller Lents Report.

FUTURE NET REVENUE BY PRODUCTION GROUP
FORECAST PRICES AND COSTS
(THE CORPORATION'S SHARE OF BAHAR ENERGY) AS AT APRIL 1, 2010[1]

Reserves Category	Production Group	Future Net Revenue Before Income Taxes (discounted at 10%) US$(000's)	US$ Per Mcf and US$ Per Bbl Unit Value
Total Proved	Crude Oil	42,626	$12.21
	Natural Gas	33,919	$0.689
Total Probable	Crude Oil	50,507	$24.06
	Natural Gas	0[2]	$0.00
Total Proved Plus Probable	Crude Oil	93,133	$16.66
	Natural Gas	30,753	$0.66

Notes:

(1) The following definitions are based on the Miller Lents Report and used throughout this disclosure:

"**Net**" means the Corporation's 33.33% share of Bahar Energy's share after deducting the amounts owned by SOA.

"**Reserves**" are the estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: analysis of drilling, geological, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates.

"**Proved Reserves**" are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved Reserves. At least a 90% probability that the quantities actually recovered will equal or exceed the estimated Proved Reserves is the targeted level of certainty.

"**Probable Reserves**" are those additional Reserves that are less certain to be recovered than Proved Reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable Reserves. At least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated Proved plus Probable Reserves is the targeted level of certainty.

"**Proved Developed Reserves**" are those Reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the Reserves on production. The developed category may be subdivided into producing and non producing.

"**Developed Producing Reserves**" are those Reserves that are expected to be recovered from completion intervals open at the time of the estimate. These Reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"**Developed Non Producing Reserves**" are those Reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

"**Undeveloped Reserves**" are those Reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the Reserves classification (proved, probable, possible) to which they are assigned.

(2) The reserves data required to be reported by Item 2.1.3 of Form 51-101F1 must be a positive volume, as the reserves data is an estimate of what may be recovered. All negative reserves volumes from the Miller Lents Report as of April 1, 2010 have been replaced with zero volumes and the totals are not adjusted from the Miller Lents Report.

Pricing Assumptions

SUMMARY OF PRICES AND INFLATION ASSUMPTIONS
AS OF APRIL 1, 2010
FORECAST PRICES AND COSTS (BAHAR ENERGY)

Year	Oil Price Brent Index US$/Bbl	Natural Gas Price Contract Price US$/Mcf	% Cost Escalation Operating Expenses(1)	% Cost Escalation Capital Costs(1)
2010	79.50	4.80	1.74	1.15
2011	81.21	4.80	2.50	2.52
2012	82.19	4.80	2.67	4.04
2013	82.83	4.80	2.68	3.30
2014	83.55	4.80	2.57	2.91
2015	84.39	4.80	2.57	2.87
2016	85.11	4.80	2.57	2.83
2017	85.99	4.80	2.58	2.69
Thereafter	85.99	4.80	-	-

Note:

(1) Escalation rates are based on the Society of Petroleum Evaluation Engineers annual survey of projected price.

Reconciliation of Changes in Reserves and Future Net Revenue

A reconciliation of the change in reserves has not been included as the Corporation did not own an interest in Bahar Energy and the ERDPSA was not entered into until December 22, 2009. The reserve estimation prepared by Miller Lents for the Bahar Project as at April 1, 2010 are included elsewhere in this prospectus.

Subsequent Events to the Miller Lents Report

Since the date of the Miller Lents Report, which was effective as of April 1, 2010, the Bahar Gas Sales Agreement and the Bahar Oil Sales Agreement have been entered into and became effective on October 1, 2010. The natural gas contract price pursuant to the Bahar Gas Sales Agreement is a fixed price of US$3.96 per Mcf, which is lower than the fixed forecast price of US$4.80 per Mcf used in the Miller Lents Report resulting in a decrease in the Corporation's share of Bahar Energy's future net revenue (before income tax and discounted at 10%) attributable to its reserves of approximately 3.3% for the Bahar Gas Field. Concurrently, pursuant to the Bahar Oil Sales Agreement oil will be sold based on the Brent Index. The Corporation's share of Bahar Energy's future net revenue attributable to its oil reserves for the Gum Deniz Oil Field has increased due to a reduction of the transportation and quality discount as well as the increased Brent Index oil price as of September 29, 2010, compared to the oil price used in the Miller Lents Report, approximately offsetting the decrease in the future net revenue attributable to the reserves in the Bahar Gas Field as a result of the lower fixed price in the Bahar Gas Sales Agreement. As a result, based on the Corporation's internal analysis, management of the Corporation is of the opinion the final terms of the Bahar Gas Sales Agreement and the Bahar Oil Sales Agreement do not materially affect the combined value of the Corporation's share of Bahar Energy's future net revenue (before income taxes and discounted at 10%) attributable to its reserves, as presented in the Miller Lents Report.

Additional Information Relating to Reserves Data for Bahar Project

Undeveloped Reserves

The current development plan for Bahar Energy is to focus on increasing existing production by concentrating on Bahar Energy's Proved Developed Producing, Proved Developed and Non-Producing reserves. Bahar Energy plans to develop its Proved Undeveloped Reserves beginning in approximately two years. For further information, see "*Business of the Corporation - Plan of Development*".

Significant Factors or Uncertainties

The process of evaluating reserves is inherently complex. It requires significant judgments and decisions based on available geological, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, geological evaluation, engineering data, prices and economic conditions. The reserves associated with the assets described in the Miller Lents Report have been evaluated by Miller Lents and considering certain factors and assumptions. These factors and assumptions include among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions. Revisions to reserve estimates can arise from changes in year-end prices, reservoir performance and geologic conditions or production. These revisions can be either positive or negative.

Future Development Costs

The table below summarizes the Corporation's 33.33% share of the future development costs of Bahar Energy for the Bahar Project.

FUTURE DEVELOPMENT COSTS (UNDISCOUNTED) FORECAST PRICES AS AT APRIL 1, 2010 (THE CORPORATION'S SHARE OF BAHAR ENERGY)

Year	Total Proved US$(000's)	Total Proved Plus Probable US$(000's)
2010	2,340	2,340
2011	20,170	20,170
2012	29,537	30,904
2013	21,567	28,625
2014	10,582	22,204
2015	-	10,461
2016	2,912	2,912
Total (undiscounted)	87,108	117,616

The Corporation expects to have sufficient cash balances from internally generated sources, external financing and/or the net proceeds of the Offering to fund the future development costs set out in the above tables.

Other Oil and Gas Information with respect to the Miller Lents Report

Oil and Gas Properties

The following is a description of the oil and gas properties in which the Corporation will have an indirect interest through Bahar Energy's 80% participating interest in the ERDPSA.

The properties associated with the Bahar Project are related to oil and gas production in the shallow waters of the Caspian Sea south of the Apsheron Peninsula to the east of Baku, Azerbaijan. The facilities include 54 offshore platforms, multiple pipelines and 16.8 kilometers of causeways with well pads from an offshore island into the shallow waters of the Caspian Sea. Five pipelines transport gas and liquids from offshore into surface facilities located directly onshore from the project fields.

A sand island lying several kilometers offshore is connected to the mainland by a stone and earthen causeway. This island houses the main operating offices, warehousing and equipment storage, and a marine base for offshore operations. The main fluid and gas handling facilities including oil and gas storage, separation, compression and metering stations are all onshore and are therefore not subject to the weather conditions offshore.

The main pipelines coming onshore traverse through a slug catcher and liquids recovery prior to being sent to one of three compressor stations for delivery to gas lift operations both within the Bahar Project and other neighboring oil and gas field operations or are sold to the gas gathering system tying most of the other Apsheron Peninsula onshore fields together for export and national consumption. Lower pressure gas is delivered to the local community and to the local power station.

Many of the producing and planned well re-entries have wellheads and platforms which have been severely neglected over the last 15 to 20 years and require maintenance, cleanup and repair. Much of this infrastructure has not seen maintenance or repair expenditure since investment was diverted to Western Siberia before the collapse of the Soviet Union.

An exploration area called Bahar 2 adjacent to the producing Bahar Gas Field (the "**Exploration Area**") has a three year exploration phase with one year extension available, during which Bahar Energy is required to shoot 60 kms of 3-D seismic and drill one well in order to maintain its rights in the Exploration Area. Historically there have been eight wells drilled in this area with one well reaching an objective depth indicating potential hydrocarbons from electric logs. The Exploration Area may be relinquished if non-commercial quantities of hydrocarbons are not discovered.

Currently there are 74 producing wells, 61 of which are in the Gum Deniz Field and produce oil with associated gas and 13 of which are located in the Bahar Gas Field and produce gas with condensate. In addition, another 159 wells have been shut in and 454 wells have been plugged and abandoned.

Bahar Gas Field, Republic of Azerbaijan

Bahar Gas Field lies 21 kilometers off the coast of a Caspian Sea sand island located 2.8 kilometers from the mainland Apsheron Peninsula and consists of 54 offshore platforms which includes a central processing and metering platform for gathering the gas for onward transport via five 12 inch pipelines to the shore-based gas and liquid handling facilities. Each wellhead platform has a small separate adjacent platform extension for housing operations personnel. All record keeping and field operations are conducted offshore and personnel are transferred by crew boat on various rotational schedules. The platforms are built on 24 to 30 pilings each in an average water depth of 20 meters. The boat docks, gangways, decking and christmas trees, wellhead and liquids handling piping are in fairly poor condition making access to many of the platforms from crew boats very much weather dependent. 203 wells have been drilled of which currently 13 are producing natural gas. In addition condensate is being produced and placed into one of the 12 inch lines for delivery to the shore-based facilities. Well production is separated for testing/metering purposes offshore and recombined in the case of one multiphase pipeline along with the bulk of the gas production in the remaining pipelines for transport onshore.

Gum Deniz Field, Republic of Azerbaijan

The Gum Deniz Oil Field is located just offshore of the Apsheron Peninsula located 15 kilometers from downtown Baku, Azerbaijan. The field begins on a sand island 2.8 kilometers offshore and progresses outward into the Caspian Sea through 16.8 kilometers of causeways. The easternmost causeway is no longer in operation and is not accessed from the shore. The causeways allow small packages of drilling and workover equipment to be moved on to the wellhead platforms and it is easy for automobiles to drive out and inspect the operations. Oil, water and gas are delivered via pipeline along the causeways and into the onshore treatment facilities. There are currently 61 wells producing. The wells are currently on gas lift using compressed gas from the onshore gas compression facilities. Gum Deniz sand island is the headquarters location for both the Bahar Gas Field and Gum Deniz Oil Field and contains the main offices for operations management, accounting and human resources, warehousing, drilling support offices and yards and the supply base for boats going to Bahar Gas Field.

Similar to the Bahar Gas Field, the Gum Deniz Oil Field is in poor condition because since the separation of the former Soviet Union, only very minimal capital investments have been made to the fields and therefore both fields have been neglected and have underperformed. Abandoned platforms and plugged wells have been deteriorating and only the most vital equipment has been kept in serviceable condition such as gas compressors for gas lift and gas metering runs for accurate disposition records.

Miller Lents did not evaluate the Exploration Area as at April 1, 2010. A 3-D seismic program is scheduled for the Exploration Area for 2011 to evaluate the potential of the Exploration Area.

Property With No Attributed Reserves (The Corporation's 33.33% Share of the Bahar Project)

	Unproved Properties[1]		2010 Expiring
Location	**Gross Acres**	**Net Acres**	**Net Acres**
Exploration Area Bahar, Azerbaijan[2]	8,892	2,371	None
Total	8,892	2,371	None

Notes:

(1) Unproved Properties have no attributed reserves as of April 1, 2010. Undeveloped acreage within properties where reserves have been booked as of April 1, 2010 has not been included.

(2) In the Exploration Area pursuant to the ERDPSA, Bahar Energy is required to acquire a minimum of 60 square kilometers of 3-D seismic and potentially drill at least one exploration well. See "*Business of the Corporation - Terms of the ERDPSA*"

Forward Contracts

Immediately following completion of the Offering, the Corporation will not be bound by any agreement (including a transportation agreement), directly or through an aggregator, under which it may be precluded from fully realizing, or may be protected from the full effect of, future market prices for oil or gas. Bahar Energy, however, is in the process of negotiating the Bahar Gas Sales Agreement, which will fix the price of gas sold in this manner.

Abandonment and Reclamation Costs for the Bahar Project

In an effort to finance abandonment of all fixed assets employed in the ERDPSA by the Contractor Parties, the parties will open a joint escrow account at a bank of good international repute to be agreed between SOCAR and the Contractor Parties. This account shall be known as the "Abandonment Fund" and shall be administered by the operating company in coordination with SOCAR for maximum value. The structure of the escrow account and the terms for the administration of the Abandonment Fund monies shall be mutually agreed between SOCAR and the Contractor Parties. All monies allocated to the Abandonment Fund shall be recoverable as operating costs. In no event shall the Abandonment Fund exceed 15% of all capital costs incurred in the Exploration Area and the Rehabilitation Area, respectively.

As a result, all costs of abandonment that the Contractor Parties undertake during the term of the ERDPSA will be costs recovered under the ERDPSA. At the end of the term of the ERDPSA, all remaining abandonment obligations are transferred to SOCAR.

The Corporation cannot estimate Bahar Energy's asset retirement obligations at present, and the Corporation does not expect Bahar Energy to incur any significant expenditures with respect to asset retirement obligations over the next three years.

The Corporation will be liable for its share of ongoing environmental obligations. Ongoing environmental obligations are expected to be funded out of cash flow.

Production Estimates for the Bahar Project

The following table summarizes the Corporation's 33.33% share of Bahar Energy's estimated future annual production volumes for the assets evaluated in the Miller Lents Report for the 12 months beginning April 1, 2010 and ending March 31, 2011 for each product type.

SUMMARY OF PRODUCTION ESTIMATES BY PRODUCTION GROUP GROSS PROVED AND GROSS PROBABLE RESERVES FOR THE 12 MONTHS BEGINNING APRIL 1, 2010 AND ENDING MARCH 31, 2011 (THE CORPORATION'S 33.33%SHARE OF BAHAR ENERGY)

Reserves Category	Production Group	Annual Production
Total Proved	Crude Oil(Mbbl)	223
	Natural Gas (MMcf)	3,004
Total Probable	Crude Oil (Mbbl)	1
	Natural Gas (MMcf)	82
Total Proved Plus Probable	Crude Oil (Mbbl)	224
	Natural Gas (MMcf)	3,086

Production History for Bahar Project

The following table sets forth certain information in respect of a 33.33% share of production (equivalent to the Corporation's share of Bahar Energy), from the Bahar Project by the previous owner, SOCAR, as disclosed in the Miller Lents Report for each of the periods indicated.

	2009			
Average Daily Production	Three Months Ended March 31, 2009	Three Months Ended June 30, 2009	Three Months Ended September 31, 2009	Three Months Ended December 31, 2009
Crude Oil (bbl/d)	442	562	567	610
Natural Gas (MMcfd)	8.27	9.35	8.81	8.28
Total Daily Production (boepd)	1,825	2,121	2,036	1,990
Average Net Prices Received	N/A[(1)]	N/A[(1)]	N/A[(1)]	N/A[(1)]
Royalties	Nil[(2)]	Nil[(2)]	Nil[(2)]	Nil[(2)]
Production Costs	N/A[(3)]	N/A [(3)]	N/A [(3)]	N/A [(3)]

Notes:

(1) As this production was owned by the state oil company, SOCAR, the production was not always sold by SOCAR and was at times used for consumption purposes by the local population.

(2) As the production was owned by SOCAR, no royalties were payable.

(3) This information was not made available to Bahar Energy by SOCAR. The Corporation does not believe this information exists and it is not possible to create it.

The following table sets forth 33.33% of the total production from the Bahar Project (equivalent to the Corporation's share of the Bahar Energy) by the previous owner, SOCAR, from the important fields of the Bahar Project for the year ended December 31, 2009.

Field	Total Production for the Year Ended December 31, 2009	Average Daily Production for the Year Ended December 31, 2009
Gum Deniz Oil Field	180.3 Mbbl	494 bbl/d
Bahar Gas Field (gas)	2,344 MMcf	6.42 MMcfd
Bahar Gas Field (condensate)	18.93 Mbc	52 Bcpd

Tax Horizon Of The Corporation

The Corporation is uncertain whether it will incur any income taxes in the near term. In the United States, the Corporation expects to have excess tax deductions in future years due to accelerated depreciation and depletion deductions resulting from the Corporation's expected future capital expenditure outlays and production volumes. In accordance with the ERDPSA, SOCAR pays income taxes applicable to the Bahar Project on behalf of Bahar Energy to the of the government of Azerbaijan. As a result of these factors, the Corporation expects to have generated taxable income in the United States within two years.

The Corporation does not have any income generating assets in Canada. See "*Risk Factors*".

Exploration and Development Activities

As Bahar Energy did not enter into the ERDPSA until December 22, 2009, no capital expenditures and no exploration costs were made by Bahar Energy in respect of the Bahar Project in the year ended December 31, 2009.

USE OF PROCEEDS

The gross proceeds to the Corporation will be CDN$35,997,500 (CDN$41,397,125 if the Over-Allotment Option is exercised in full). The net proceeds to the Corporation from the Offering, after deducting the anticipated Agents' Commission, and after deducting estimated expenses of the Offering of CDN$675,000, are estimated to be CDN$33,162,650 (CDN$38,238,298 if the Over-Allotment Option is exercised in full).

The net proceeds of the Offering will be used by the Corporation for exploration and development activities largely in Azerbaijan, for other exploration and development activities and for general corporate purposes. Specifically, the net proceeds will primarily be used to fund the Corporation's exploration, rehabilitation and development activities pursuant to the ERDPSA on the Bahar Project. For additional information in respect of the rights and obligations of the Corporation under the ERDPSA on the Bahar Project, please see the section of this prospectus entitled "*Business of the Corporation - Developments to Date*".

Funds Available

The total funds available to the Corporation upon completion of the Offering are estimated to be as follows:

Net Proceeds(1)	CDN$33,162,650
Existing Working Capital(2)(4)	CDN$15,299,011
Total Funds Available(3)	CDN$48,461,661

Notes:

(1) Net proceeds is calculated based on the Offering gross proceeds of CDN$35,997,500, less the Agents' Commission of 6.0% of the gross proceeds, and less the estimated expenses of the Offering of CDN$675,000 (not including the proceeds that may be received pursuant to the exercise of the Over-Allotment Option. Such proceeds, if any, will be added to working capital). Management of the Corporation and the Agents estimate that, of the total gross proceeds of the Offering, CDN$27,997,500 will be raised pursuant to the Canadian Offering and CDN$8,000,000 will be raised pursuant to the Concurrent Private Placements. However, there can be no assurance of the actual allocation of the gross proceeds between the Canadian Offering and the Concurrent Private Placements until the Offering is completed.

(2) Reflects the Corporation's approximate working capital balance as at June 30, 2010 and including net proceeds to the Corporation of the September 2010 Private Placement. The working capital equals approximately CDN$15,299,011.

(3) Total funds available include the net proceeds of the Offering, after deducting estimated expenses of the Offering of CDN$675,000, and including the Corporation's working capital balance as at June 30, 2010 of CDN$3,283,826 and including the net proceeds from the September 2010 Private Placement of approximately CDN$12,015,185.

(4) The Corporation's estimated cash on hand as at October 31, 2010 is approximately US$8,800,000 (CDN$8,965,440).

Principal Purposes

The proposed principal purposes for which the total funds available to the Corporation will be used are anticipated to be as follows:

Use of Funds	Amount(1)(4)(5)	
Corporation's share of the Bahar Project capital expenditures for recompletions, and workovers	CDN$14,213,364 (2)	US$13,951,084
Corporation's share of the Bahar Project capital expenditures for platforms and facilities	CDN$18,753,600(2)	US$18,407,538
Bahar Project equipment, including one drilling rig, workover rigs, liftboat, barge, cranes and crew boat	CDN$4,717,044(3)	US$4,630,000
ERDPSA Signing and Production Payment	CDN$1,355,004	US$1,330,000
Bahar Project Exploration Area Seismic	CDN$1,579,140	US$1,550,000
Review and Pursue Additional Greenfields	CDN$4,813,830	US$4,725,000

Opportunities		
General Corporate Purposes	CDN$3,029,679	US$2,835,848
Total	CDN$48,461,661	US$47,429,470

Notes:

(1) Available funds includes the net proceeds of the September 2010 Private Placement of CDN$12,015,185 and the net proceeds of the Offering (not including the Over-Allotment Option), and including the Corporation's estimated working capital balance as at June 30, 2010 of approximately CDN$3,283,826.

(2) These capital expenditures are for the 2010 and 2011 years and the first six months of 2012 as indicated in the Miller Lents Report. See "*Miller Lents Report Regarding the Bahar Project"*. Management of the Corporation is of the opinion that the capital expenditure requirements as set out in the Miller Lents Report continue to be reasonably accurate estimates of the capital expenditures required for the Bahar Project, although management intends to accelerate the timing of the Corporation's development expenditures in order to accelerate production as compared to the timelines shown in the Miller Lents Report.

(3) This amount is based on estimates obtained by management of the Corporation over the past six months from a variety of suppliers and sources.

(4) The exchange ratio utilized is $1.0188 Canadian dollars for each US dollar, except the September 2010 Private Placement was converted at 1.03 Canadian dollars for each US dollar.

(5) The Corporation's estimated cash on hand as at October 31, 2010 is approximately US$8,800,000 (CDN$8,965,440). The decrease in cash on hand as compared to the cash on hand as at June 30, 2010 of US$14,878,733 (CDN$15,299,011), including the net proceeds of the September 2010 Private Placement, is primarily due to expenditures by the Corporation in the categories set forth in the table above.

Due to the nature of the oil and gas industry, budgets are regularly reviewed in light of success of the expenditures and other opportunities that may become available to the Corporation. In addition, the ability of the Corporation to carry out operations will depend upon the decisions of other working interest owners in its properties. Accordingly, while the Corporation anticipates that it will have the ability to spend the funds available to it as stated in this prospectus, there may be circumstances where, for sound business reasons, a reallocation of funds may be prudent. Some of the Corporation's potential operations and related assets are expected to be located in countries outside North America, some of which may be considered to be politically and economically less than optimal or which could become politically or economically less than optimal. The factors that management will consider in assessing the Corporation's participation in acquisitions, exploration or development opportunities are described under "*Business of the Corporation - Business Strategy*".

Business Objectives and Milestones

The principal purposes for which the Corporation's available funds will be used by the Corporation described in this prospectus are consistent with the Corporation's business objectives and strategic goals relating to the exploration for and development of oil and natural gas reserves. The Corporation has prioritized activities under the ERDPSA on the Bahar Project in Azerbaijan as its most important objective. Such development will include recompletions, workovers and sidetracking of existing wells, drilling of additional wells, the installation of related necessary infrastructure and shooting additional 3-D seismic. Successfully executing on its stated principal purposes, as described under "*Use of Proceeds - Principal Purposes*" will accomplish the Corporation's short term business objectives. Management is of the belief that it will be able to accomplish these initial short term business objectives in 36 months. These amounts may be increased depending on the additional capital expenditure budget approved by the Board of Directors after closing of the Offering once the estimated cash flow of the Corporation from the Bahar Project for the remainder of 2010 is determined.

By its nature, the oil and gas business is dynamic and requires constant review, analysis and determination of prudent allocations of capital spending. Depending on the degree of success achieved from the Corporation's initial planned activates, management will assess and establish additional milestones for the Corporation to meet in the medium and long term.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information is based on and derived from the audited and unaudited consolidated financial statements of the Corporation for the six months ended June 30, 2010, the year ended December 31, 2009 and the period from the date of incorporation on November 28, 2007 through December 31, 2008, prepared in accordance with Canadian GAAP, and should be read in conjunction with "*Management's Discussion and Analysis*" and the Corporation's financial statements and related notes included elsewhere in this prospectus. The operating results for the periods set forth in the table below should not be relied upon as any indication of results for any future period.

Statement of Operations Data	**Six months ended June 30, 2010**	**Year ended December 31, 2009**	**November 28, 2007 (Inception) to December 31, 2008**
Revenues from management fees	US$168,000	US$176,666	US$333,340
General and administrative expenses	US$2,246,584	US$1,395,216	US$948,742
Operating cash deficit from continuing operations	(US$2,071,793)	(US$1,653,611)	(US$244,542)
Loss from continuing operations	(US$1,972,293)	(US$1,504,898)	(US$1,321,799)
Income (loss) from discontinued operations	US$135,405	US$2,691,310	(US$2,441,055)
Per Share/Unit Data:			
Net loss per share/unit from continuing operations, (basic and diluted)	(US$0.26)	(US$0.23)	(US$0.35)
Net (loss) income per share/unit, (basic and diluted)	(US$0.24)	US$0.18	(US$1.01)
Balance Sheet Data			
Total assets	US$5,009,975	US$1,778,271	US$2,610,525
Working capital	US$3,223,229	US$1,349,791	(US$1,229,757)
Notes payable to members	Nil	Nil	US$821,185
Shareholders'/Members' equity	US$4,568,920	US$1,678,558	US$537,146

REGULATORY MATTERS CONCERNING FINANCIAL STATEMENTS

Form F1 of NI 41-101 ("**NI 41-101F1**") requires an issuer to include financial statements of a business acquired by the issuer within three years before the date of the prospectus or proposed to be acquired, if a reasonable investor reading the prospectus would regard the primary business of the issuer to be the business or proposed business to be acquired by the issuer. Based on the interpretation of "issuer" in NI 41-101F1, the Bahar Project will constitute the primary business of the Corporation.

The Bahar Gas Field and the Gum Deniz Oil Field constituting the Bahar Project are part of a larger group of fields belonging to SOCAR located onshore and offshore in the Caspian Sea area. As such, production from the Bahar Project is contributed to the common production pool of SOCAR which in turn markets all Azerbaijan State production and contributes the proceeds to the general funds of Azerbaijan. We have been advised by SOCAR that it does not allocate revenue or profit and loss by field. Consequently, there are no Bahar Project oil and gas sales records, oil and gas inventory records, nor estimates of remaining reserve net present value. In addition, we are advised by SOCAR that is does not account for deliveries to local power plants and surrounding communities, compression gas delivered to other fields, and gas used for housing and medical facilities, vehicles and drilling activities. We are advised by SOCAR that it does not keep Bahar Project balance sheet accounts, income statements or fixed assets ledgers.

As a result of the limited available financial information from SOCAR and the non specific record keeping practices, it is not possible for the Corporation to create historical financial statements for the Bahar Project. Management has taken all reasonable steps to obtain the required financial information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management discussion and analysis ("**MD&A**") is a review of financial conditions and results of operations and should be read in conjunction with the interim unaudited consolidated financial statements of the Corporation for the six months ended June 30, 2010 and 2009 and the audited consolidated financial statements of Greenfields Petroleum Corporation, formerly Greenfields, LLC, for the year ended December 31, 2009 and the unaudited consolidated financial statements for the period from inception on November 28, 2007 to December 31, 2008, presented elsewhere in this prospectus.

Discussion with regard to the 2010 and 2011 outlook of the Corporation is based on currently available information. The financial data presented below has been prepared in accordance with Canadian GAAP.

Corporate Overview

The Corporation was formed on November 28, 2007, as Greenfields Petroleum Inc., a corporation formed under the laws of the State of Texas. On April 4, 2008, the Corporation was converted pursuant to a Certificate of Conversion to Greenfields LLC, a limited liability Corporation formed under the laws of the State of Texas. Pursuant to a resolution approved by the board of directors of Greenfields LLC, on January 8, 2010, the outstanding units were split on the basis of 1.5 new units for each existing unit. On February 19, 2010, pursuant to a Certificate of Conversion, Greenfields LLC was converted to a corporation formed under the laws of the State of Delaware and concurrently changed its name to Greenfields Petroleum Corporation. See "*Corporate Structure*".

The common share numbers and per share numbers for the comparative periods have been reclassified as common shares throughout the management discussion and analysis and consolidated financial statements as if the common shares were outstanding throughout the periods indicated.

Going Concern

The financial statements included in this prospectus have been prepared on the going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. At June 30, 2010, the Corporation had a deficit of US$4,413,330 and had incurred losses since inception. The Corporation is in the process of acquiring and developing the rights to oil and gas properties focused primarily in Azerbaijan and also has plans to expand its oil and gas assets through further farm-in and acquisitions focusing on previously discovered undeveloped and underdeveloped international oil and gas fields.

The continuing operations of the Corporation are dependent upon obtaining necessary financing to meet the Corporation's commitments as they come due and to finance development and production from the properties, the economic recovery of reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production or proceeds from disposition of the oil and gas properties. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values. Management is of the opinion that sufficient working capital will be obtained through the issuance of additional Common Shares to meet the Corporation's liabilities and commitments as they come due. However, there can be no certainty that such financing will be obtained.

Business of the Corporation

The Corporation is a junior oil and natural gas exploitation and development corporation focused on the development and production of proven oil and gas reserves principally in Azerbaijan. The board of directors and management of the Corporation are experienced in financing, developing and operating international oil and gas fields, and possess the requisite technical skills and business acumen to operate in diverse international environments. The Corporation plans to expand its oil and gas assets through further farm-ins and acquisitions of licenses focusing on previously discovered and undeveloped international oil and gas fields.

The Corporation's primary focus is Azerbaijan. On December 22, 2009, Bahar Energy, a 33.33% subsidiary of the Corporation, entered into the ERDPSA with SOCAR and its affiliate SOA in respect of the offshore block known as the Bahar Project, which project consists of the Bahar Gas Field and the Gum Deniz Oil Field. Bahar Energy has an 80% participating interest, and SOA has a 20% participating interest in the ERDPSA. On April 27, 2010, the Azerbaijan Parliament, also referred to as Milli Mejlis, ratified the ERDPSA.

The ERDPSA covers an area of approximately 76,500 acres and it is divided into the Rehabilitation Area and the Exploration Area. The Rehabilitation Area includes the Bahar Gas Field and Gum Deniz Oil Field, which had approximate average gross production for the month of June 2010 of 1,486 bbl/d and 15.5 MMcfd or 4,069 boepd. The development and production period in the Rehabilitation Area has a term of 25 years which may be extended by mutual agreement for an additional five years. The Exploration Area does not currently contain any commercial oil or gas fields. The exploration period in the Exploration Area has an initial term of three years, which can be extended for one year at the request of the Contractor Parties. In the event of a commercial discovery in the Exploration Area, the development and production period for the Exploration Area will have a term of 25 years. The Corporation's estimated working interest production for the Corporation's 33.33% indirect ownership in Bahar Energy is 495 bbl/d and 5.17 MMcfd or approximately 1,356 boepd based on average monthly production for June 2010.

The Corporation plans to issue additional Common Shares in the fourth quarter of 2010 in order to raise sufficient capital to fund the ERDPSA. Proceeds from such offerings will be used to fund an estimated approximate US$39.9 million of capital expenditures on the Bahar Project, for the 2010 and 2011 years and first six months of 2012. The Corporation anticipates revenue receipts will cover operating expenses after two months and that the ERDPSA is cash flow positive, including capital expenditures, after eighteen months from the effective date.

During the period from inception to December 31, 2009 the Corporation also owned 15% of the outstanding shares in GFPI, which is a company that owns producing and non-producing petroleum assets located in the State of Kansas, USA. As of January 1, 2010, the Corporation reduced its investment in GFPI to 5%.

Due to adverse market conditions as a result of the worldwide financial crisis and the desire of the Corporation to focus management time and attention on Azerbaijan, the Corporation elected to divest its interest in Greenfields Petroleum (Lahat) Company which indirectly owned a 51% working interest through its wholly owned subsidiary, BMIC, in the Bunga Mas PSC in South Sumatra, Indonesia. On April 14, 2009, Greenfields Petroleum (Lahat) Company's parent company, Greenfields Petroleum (Indonesia) Company Ltd., entered into a sale and purchase agreement with APEC Indonesia Limited pursuant to which it sold Greenfields Petroleum (Lahat) Company to APEC Indonesia Limited for consideration of approximately US$5.3 million, as well as a contingent net profits interest. The contingent net profits interest took the form of a deferred payment agreement dated April 24, 2009, pursuant to which APEC Indonesia Limited agreed to pay Greenfields Petroleum (Indonesia) Company Ltd. a deferred purchase price payment in installments equal to 4% of BMIC's share of the crude oil remaining after the deduction of operating costs (otherwise known under the Bunga Mas PSC as "**Profit Oil**"), reduced by the amount of certain Indonesian taxes. Payments begin with the first production of Profit Oil from the area of the Bunga Mas PSC and will terminate when the installment payments total US$8.0 million. To date, no production has been realized by BMIC from the area of the Bunga Mas PSC. Greenfields Petroleum (Indonesia) Company Ltd. has agreed to indemnify up to a maximum of US$150,000 to APEC Indonesia Limited Company in respect of potential future reclamation efforts related to two previously established well locations, if required by the regulatory authorities. Greenfields Petroleum (Indonesia) Company Ltd. has also agreed to indemnify the buyer of Greenfields Petroleum (Lahat) Company for liabilities that might arise in the future for events that transpired during the period Greenfields Petroleum (Indonesia) Company Ltd. held its interest in Greenfields Petroleum (Lahat) Company. The maximum amount of the latter indemnification cannot be reasonably estimated due to its nature nor are such events considered likely. Historically, Greenfields Petroleum (Indonesia) Company Ltd. has not made any payments relating to such indemnification.

MD&A for the Three and Six Months Ended June 30, 2010

Selected Information

	Three Months Ended June 30		Six Months Ended June 30	
	2010	**2009**	**2010**	**2009**

Revenues	US$84,000	US $110,143	US$168,000	US$213,539
Net loss from continuing operations	(US$847,961)	(US $362,207)	(US$1,972,293)	(US$481,642)
Per share, basic and diluted	(US$0.11)	(US $0.06)	(US$0.26)	(US$0.07)
Net (loss) income	(US$850,086)	US $2,723,994	(US$1,836,888)	US$1,518,430
Per share, basic and diluted	(US$0.11)	US $0.42	(US$0.24)	US$0.24

Selected Balance Sheet Items	**June 30, 2010**	**December 31, 2009**
Total assets	US$5,009,975	US$1,778,271
Working capital (deficiency)	US$3,223,229	US$1,349,791
Shareholders' equity	US$4,568,920	US$1,678,558

Results Of Operations

Revenues

	Three Months Ended June 30		**Six Months Ended June 30**	
	2010	**2009**	**2010**	**2009**
Management service fees	US$84,000	US$109,998	US$168,000	US$213,332
Interest income	US$0	US$145	US$0	US$207
Total revenue	US$84,000	US$110,143	US$168,000	US$213,539

For the three and six months ended June 30, 2010, the Corporation recorded US$84,000 and US$168,000, respectively, in management service fees received under the MSA with the Corporation's affiliate company GFPI, a 24% and 21% decrease, respectively, versus the same periods in 2009. The decrease in fees is a result of the renegotiation of the MSA between the Corporation and the GFPI affiliate resulting in the conversion to a fixed management fee beginning in January 1, 2010, covering all services provided by the Corporation to GFPI. The management service fees going forward are to be determined each year based on the approved annual budget for GFPI. Beginning January 2010, the Corporation will receive a monthly management service fee of US$28,000 until December 31, 2010, unless renewed, for providing all necessary management, technical, and administrative services related to the ongoing operations of the affiliate. The new fixed management fee is in lieu of the US$33,334 monthly management fees plus allocated general and administrative expenses charged during 2009. Due to the reduced involvement by corporate personnel in running the day to day business of GFPI, management believes the US$28,000 per month fee is sufficient to cover the costs of providing management, technical, and administrative services to the affiliate.

General and Administrative Expenses

	Three Months Ended June 30		**Six Months Ended June 30**	
	2010	**2009**	**2010**	**2009**
General and administrative expenses from continuing operations				
Employee wages and benefits	US$408,677	US$451,204	US$793,631	US$872,317
Professional service costs	US$557,083	US$229,433	US$928,763	US$352,943
Office, travel and other	US$326,021	US$103,860	US$524,740	US$172,577
	US$1,291,781	US$784,497	US$2,247,134	US$1,397,837
Recoveries	(US$150)	(US$408,014)	(US$550)	(US$856,776)
Net General and administrative expenses from continuing operations	**US1,291,631**	**US$376,483**	**US$2,246,584**	**US$541,061**
General and administrative expenses from discontinued operations				
Allocated corporate overhead	-	US$242,228	-	$390,582
Professional service costs	US$2,500	US$20,435	US$7,367	$24,535
Office, travel and other	-	US$15,999	-	$27,891
Foreign office costs	-	US$84,803	-	$376,566
General and administrative expenses from discontinued operations	**US$2,500**	**US$363,465**	**US$7,367**	**US$819,574**

Gross general and administrative ("**G&A**") expenses from continuing operations for the three and six months ended June 30, 2010 totaled US$1,291,781 and US$2,247,134, respectively, compared to US$784,497 and US$1,397,837, respectively, for the same periods in 2009, an increase of 65% and 61%, which relates to increases in professional services associated with the February 2010 private placement, initial work for the planned IPO, and higher travel costs associated with the Bahar Project. The increases in G&A were slightly offset by reduced employee related expenses due to a lower staffing level in 2010. For the three and six months ended June 30, 2009, the Corporation recovered US$408,014 and US$856,776, respectively, in G&A expenses from allocated G&A charged to an unconsolidated minority interest affiliate and from direct overhead charges to the Bunga Mas PSC. Due to the sale of the parent company to the Bunga Mas PSC, Greenfields Petroleum (Lahat) Company Ltd., in April 2009 and the revision to the MSA with GFPI eliminating the allocation of G&A, recoveries were reduced to US$150 and US$550 for the same periods in 2010.

As a result of the divestiture of Greenfields Petroleum (Lahat) Company Ltd. in April 2009, the Corporation has classified the operations of "Lahat" as discontinued operations in the statement of operations for the three and six months ended June 30, 2010 and 2009. G&A expenses from discontinued operations for the three and six months ended June 30, 2010 were US$2,500 and US$7,367, respectively, compared to US$363,465 and US$819,574, respectively, for the same periods in 2009, a decrease of 99% for both periods. The decrease is the result of the elimination of project related G&A expenditures incurred during 2009 up to the sale of the Bunga Mas PSC in April 2009 versus only nominal G&A expenditures during 2010 related to the remaining parent entity to the assets sold in 2009. The G&A expenses previously allocated to discontinued operations during the 2009 timeframe have been offset by G&A expenses associated with new international projects in 2010.

The Corporation did not capitalize any of its G&A expenses for the three and six months ended June 30, 2010 and 2009.

Stock Based Compensation

Stock-based compensation expenses for the three and six months ended June 30, 2010 was US$27,844 and US$182,119, respectively, compared to nil for the same periods in 2009. The stock-based compensation is a result of the Corporation approving the Former LTIP and the granting of 500,000 Units to employees, officers and directors of the Corporation on February 2, 2010. On April 7, 2010 subsequent to the granting of the shares to employees, officers and directors, the Corporation terminated the Former LTIP in regards to future awards.

Equity Loss from Investment

The Corporation recorded equity losses of US$91,523 and US$139,177 for the three and six months ended June 30, 2009, respectively, in connection with its 15% equity interest in the earnings of the affiliated company GFPI. On January 1, 2010 the Corporation entered into the Amending Agreement with RCH II and RCH III (collectively, "**RCH**"). The terms of the agreement were that the Corporation transferred 100,000 Class A units in the GFPI entity to the RCH funds for the termination of RCH's option to participate at 15% in international business opportunities generated by the Corporation and the requirement that certain officers and directors maintain a controlling interest in Greenfields. The impact of this agreement on the Corporation is that the ownership interest in the GFPI entity was reduced from 15% to 5% effective January 1, 2010 and the Corporation is released from ownership restrictions so it can pursue various financing options for its international projects. As a result of the reduced ownership interest in the GFPI affiliate, the Corporation recorded a US$217,390 reduction in the carrying value of the investment inclusive of the US$8,650 cash payment of RCH and recorded a US$226,040 loss of significant influence the Corporation changed the accounting method to account for this investment from the equity method to the cost method, effective January 1, 2010. Using the cost method of accounting will result in changes in investment balance only when additional equity contributions are made, distributions are declared, or when there has been a loss in value of the investment that is other than a temporary decline, in which case the investment should be written down to recognize the loss. The Corporation has used estimates of the discounted value of the Corporation's reserves and the estimated fair market value of the undeveloped leasehold, geological and geophysical assets to evaluate the fair market value of the investment. At June 30, 2010, the Corporation has determined that there is no impairment in the current value of this investment.

Selected Financial Information for Equity Investment in GFPI

	Three Months Ended June 30				Six Months Ended June 30			
	Gross		Net		Gross		Net	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenues and interest Income	-	US$4	-	$1	-	$97	-	US$15
Net operating loss	-	(US$610,153)	-	(US$91,523)	-	(US$927,846)	-	(US$139,177)
Total Assets	-	US$2,105,777	-	US$315,867	-	US$2,105,777	-	US$315,867
Total Liabilities	-	(US$205,476)	-	(US$30,821)	-	(US$205,476)	-	(US$30,821)
Working Capital	-	(US$60,970)	-	(US$9,146)	-	(US$60,970)	-	(US$9,146)
Shareholders'/Unitholders' Capital Funding	-	US$1,362,353	-	US$204,353	-	US$2,362,353	-	US$354,353
Production (bbls/d)	-	-	-	-	-	-	-	-

The Corporation made contributions of US$182,127 toward its share of capital funding of GFPI for the three and six months ended June 30, 2010, versus contributions of US$204,353 and US$354,353, respectively, for the same periods in 2009. Due to the changes in the Corporation's ownership position in GFPI affiliate noted in the paragraph above, which resulted in the change from the equity to cost method of accounting for this investment, the Corporation has not recorded any operating results for the three and six months ended June 30, 2010.

Interest

Interest expense for the three and six months ended June 30, 2010 was US$nil compared to US$4,344 and US$14,943, respectively, for the three and six months ended June 30, 2009. The 2009 interest expense was principally due to the related party notes payable with original members of Greenfields LLC and the third party notes payable with RCH. The notes and accumulated interest payable were repaid in April 2009.

Depreciation and Amortization

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Depreciation and amortization expense	US$3,206	-	US$4,573	-

Depreciation and amortization for the three and six months ended June 30, 2010 was US$3,206 and US$4,573, respectively, as compared to $nil for the three and six months ended June 30, 2009. The increase is a result of the Corporation purchasing office equipment, geophysical software, and recording leasehold improvements during last half of 2009 and first half of 2010 versus no depreciable assets for the same periods in 2009.

Discontinued Operations

In April 2009, the Corporation completed the divestiture of its ownership in the shares of Greenfields Petroleum (Lahat) Company. As result of the divestiture, the Corporation has classified the operations of Greenfield Petroleum (Lahat) Company as discontinued operations in the statement of operations for the three and six months ended June 30, 2010 and 2009. The management service fee revenue received for the period ended March 31, 2010 is the final instalment of a consulting services agreement that was entered into whereby the Corporation provided administrative and technical assistance to the purchaser of Greenfields Petroleum (Lahat) Company.

Net income (loss) from discontinued operations is composed of the following:

	Three Months Ended June 30		Six Month Ended June 30	
	2010	2009	2010	2009
Management service fees	-	US$333,333	US$166,667	US$333,333
Project expenses	-	US$5,363	-	US$112,407
Exploration expenses	-	US$203,994	-	US$918,640
General administrative expenses	US$2,500	US$363,465	US$7,367	US$819,574
Income (loss) from discontinued operations, before non-controlling interest	(US$2,500)	(US$239,489)	US$159,300	(US$1,517,288)
Gain on sale of discontinued operations	-	US$3,828,513	-	US$3,828,513
Non-controlling interest	US$375	(US$502,823)	(US$23,895)	(US$311,153)
Net income (loss) from discontinued operations	(US$2,125)	(US$3,086,201)	US$135,405	US$2,000,072

Income Taxes

The Corporation recorded an estimated future income tax recovery of US$390,720 and US$519,023, respectively, for the three and six months ended June 30, 2010 on the statement of operations and recorded a future income tax asset on the balance sheet as of June 30, 2010. The future income tax recovery booked represents the estimated future income tax recovery derived from the Corporation's operations between February 19, 2010 and June 30, 2010. Prior to February 19, 2010, when the Corporation converted from a Texas limited liability corporation to a State of Delaware corporation, the Corporation was not subject to income tax as it had elected to be taxed as a partnership for income tax reporting purposes and the income or loss of the Corporation was included in the income tax returns of the individual members. Due to the high probability of realizing the future income tax asset as a result of future income generated from the ERDPSA in Azerbaijan, no future income tax allowance has been booked. The effective tax rate of the Bahar Project is 22% versus the 35% marginal tax rate in the US, so the incremental tax obligation in the US can be offset with the net operating loss carry-forward generated by the Corporation.

Net Loss and Comprehensive Loss

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Loss from continuing operations	(US$847,961)	(US$362,207)	(US$1,972,293)	(US$481,642)
Income (loss) from discontinued operations	(US$2,125)	US$3,086,201	US$135,405	US$2,000,072
Net (loss) income and comprehensive loss	(US$850,086)	US$2,723,994	(US$1,836,888)	US$1,518,430

For the three and six months ended June 30, 2010, the Corporation incurred a loss of US$850,086 and US$1,836,888, respectively, compared to income of US$2,723,994 and US$1,518,430, respectively, for the corresponding periods in 2009. The loss for the three and six months ended June 30, 2010 is primarily related to corporate expenses and business development expenditures related to the new project development in Azerbaijan. During the three and six months ended June 30, 2009 the Corporation completed the sale of its ownership in the shares of Greenfields Petroleum (Lahat) Company resulting in the Corporation recording a gain on sale of US$3,828,513 which significantly contributed to the Corporation recording net income for the three and six months ended June 30, 2009.

Per Share	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Net loss from continuing operations, basic and diluted	(US$0.11)	(US$0.06)	(US$0.26)	(US$0.07)
Net income loss from discontinued operations, basic and diluted	US$0.00	US$0.48	US$0.02	US$0.31
Net (loss) income and comprehensive loss income, basic and diluted	(US$0.11)	US$0.42	(US$0.24)	US$0.24

Cash Flow from Operating Activities

The Corporation recorded negative cash flow from continuing operations of US$1,106,330 and US$2,071,793, respectively, for the three and six months ended June 30, 2010, compared to negative cash flow from continuing operations of US$656,038 and US$386,078, respectively, for the three and six months ended June 30, 2009. The decrease in cash flow in 2010 is a result of several factors, including reduction in revenues, significant increase in G&A expenses due to much of the 2009 G&A expenses being reported in discontinued operations partially offset by a favorable decrease in non-cash working capital balances related to continuing operations.

Equipment, Leasehold Improvements and Investments in Subsidiaries

The following table summarizes capital expenditures and investments in subsidiaries for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2010	**2009**	**2010**	**2009**
Office equipment and leasehold improvements	US$9,362	-	US$29,749	-
Investment in GFPI	US$182,127	US$204,353	US$182,127	US$354,353
Total	US$191,489	US$204,353	US$211,876	US$354,353

For the three and six months ended June 30, 2010, the Corporation invested US$9,362 and US$29,749, respectively, in office equipment and leasehold improvements.

During the three and six months ended June 30, 2010 the Corporation made capital contributions of US$182,127 toward its 5% share of capital funding provided to the affiliated company, GFPI. See also the note for "*Equity Loss from Investment*" under this *Management's Discussion and Analysis*.)

For the three and six months ended June 30, 2010 and 2009, the Corporation did not capitalize any general and administrative expenses.

Shareholders' Equity

	Three Months Ended June 30		**Six Months Ended June 30**	
	2010	**2009**	**2010**	**2009**
Weighted average common shares outstanding during the period - basic	8,010,000	6,450,000	7,605,359	6,450,000
Effective of dilutive warrants	-	-	-	-
Weighted average common shares outstanding during the period - diluted	8,010,000	6,450,000	7,605,359	6,450,000
Net (loss) income per share, basic and diluted	($0.11)	$0.42	($0.24)	$0.24

For the three and six months ended June 30, 2010, all outstanding warrants are anti-dilutive and have been excluded in calculating the diluted shares outstanding.

For the period ended December 31, 2009, the Corporation had no dilutive securities outstanding.

	Outstanding at	
	June 30, 2010	**December 31, 2009**
Common Shares	8,010,000	6,450,000
Share Purchase Warrants	530,000	-

The Common Shares and per share numbers have been adjusted to reflect the unit split on the basis of one and one half (1.5) new units for every one share previously outstanding which was completed on January 8, 2010.

On February 2, 2010, the Corporation recorded US$175,725 in "value of unvested restricted shares" consisting of 266,250 restricted shares issued to officers, employees, and contractors originally as unit grants at $0.66 per unit as part of the Corporation's Former LTIP, which was subsequently cancelled after completion of the initial grant program. Upon conversion of the Corporation from a Texas limited liability company to a Delaware corporation on February 19, 2010, all units were converted to common shares of the Corporation, including restricted units. Under the original unit grant agreement, the grantee is restricted from trading the restricted shares with third parties over the vesting period and the unvested shares are subject to forfeiture if the service requirements under the agreement are not met. The majority of the restricted shares vest over a three year period beginning on the first anniversary date of the original grant on February 2, 2011, and vest 25% at the grant date and 25% on each anniversary date thereof. The Corporation will amortize the balance of "unvested restricted shares" on a straight line basis over the vesting periods. For the three and six months ended June 30, 2010, the Corporation amortized US$27,844 of this balance as "stock based compensation expense" reducing the balance from US$175,725 to US$147,881 at June 30, 2010.

On February 19, 2010, the Corporation effected the conversion of the Corporation from a Texas limited liability company to an incorporated Corporation registered in the State of Delaware. As a result of this change, the Corporation changed its name to Greenfields Petroleum Corporation. The 6,950,000 outstanding member units of Greenfields LLC were converted to the equivalent Common Shares of the Corporation. The Common Share numbers and per share numbers for the comparative periods have been reclassified as Common Shares throughout the MD&A and consolidated financial statements as if the Common Shares were outstanding throughout the periods indicated.

On February 24, 2010, the Corporation completed the February 2010 Private Placement of 1,000,000 Units at $5.00 per share, each Unit consisting of one Common Share and one-half of one Warrant. Each whole Warrant entitles the holder to acquire one Common Share at a price of CDN$5.00 per share until February 24, 2012. The Corporation immediately converted the CDN$5,000,000 proceeds to US dollars totaling US$4,733,504. An aggregate of 60,000 Compensation Units were issued to the brokers as commission pursuant to the February 2010 Private Placement. Each Compensation Unit is comprised of one Common Share and one-half of one Warrant.

As of the date of this prospectus, the Corporation had 9,990,771 Common Shares outstanding, 530,000 Warrants outstanding and 986,000 Options outstanding.

Liquidity and Capital Resources

As at June 30, 2010, the Corporation had no bank debt and working capital of US$3,223,229.

The Corporation has a 33.33% indirect ownership in Bahar Energy, a Corporation incorporated in the Jebel Ali Free Zone, Dubai, UAE. On December 22, 2009, Bahar Energy entered into the ERDPSA with SOCAR in respect of the offshore block known as the Bahar Project, which project consists of the Bahar Gas Field and the Gum Deniz Oil Field. On April 27, 2010, the Azerbaijan Parliament, also referred to as Milli Mejlis, ratified the ERDPSA with SOCAR and its affiliate SOA.

In order for the Corporation to satisfy the minimum contractual commitments under the ERDPSA with SOCAR, the Corporation will not have to raise additional debt or equity capital to meet these obligations. The Corporation plans to raise additional funds to support its commitments under the ERDPSA with a combination of sales of additional shares of the Corporation and debt.

Pursuant to the ERDPSA, Bahar Energy had the ability to select the assets, including offshore platforms, flowlines, wellbores, facilities, equipment and infrastructure, that Bahar Energy will accept as assets that are part of the ERDPSA. All non-selected assets remain the responsibility of SOCAR. On September 23, 2010, Bahar Energy, SOA and SOCAR completed the asset inventory and entered into the Bahar Gas Sales Agreement. SOCAR has formally established the Effective Date for the ERDPSA as October 1, 2010.

Pursuant to the ERDPSA, Bahar Energy is obligated to:

(a) pay SOCAR a signing bonus of US$2 million (US$666,667 net to the Corporation) within 30 days after the effective date of the ERDPSA; and

(b) pay annual acreage fees in arrears for three years of US$216,000 to SOCAR (US$72,000 net to the Corporation) on the anniversary of the effective date.

The Corporation’s share of the signing bonus and first two months of operating expenses will be paid from cash on hand as of June 30, 2010. It is expected that revenue receipts will cover operating costs thereafter and capital expenditures will be paid from proceeds of the Offering.

The Corporation's cash requirements necessary to satisfy past and estimated future commitments total US$39,868,622, consisting of the Corporation's share of capital expenditures on the Bahar Project through the date of estimated positive cash flows for: (i) recompletions and workovers of US$13,951,084; (ii) platforms and facilities of US$18,407,538; (iii) equipment, including workover rigs, liftboat, barge, cranes and crew boat of US$4,630,000; (iv) Exploration Area seismic costs of US$1,550,000; and (v) ERDPSA signing bonus and production payments of approximately US$1,330,000 (US$666,667 and US$667,000), respectively.

Notes Payable

In February 2009, the Corporation entered into a short term bridge loan agreement in the amount of US$415,000 with an unrelated third party (the "**Bridge Loan**"). The Bridge Loan was secured by the Corporation’s unit holdings in GFPI and bore interest at the six month LIBOR interest rate plus 4%, which equated to an annual interest rate of 5.75% per annum. The principal amount of the notes of US$415,000 together with interest of US$4,186 was repaid on April 28, 2009.

Related Party Transactions

In June 2008, the Corporation entered into loan agreements with two officers and directors of the Corporation, namely Richard E. MacDougal and Alex T. Warmath, whereby Messrs. MacDougal and Warmath loaned the Corporation a total of US$802,872. The loans were unsecured and bore interest at an agreed rate of 4% per annum payable only when the notes are repaid. The principal amount of the notes of US$802,872, together with interest of US$29,069, was repaid to the officers in April 2009.

Prior to January 1, 2010, GFPI was considered a related party by virtue of the Corporation's significant influence over GFPI. Due to the loss of significant influence over GFPI on January 1, 2010, the parties are no longer considered related for accounting purposes. For the three and six months ended June 30, 2010, the Corporation recorded US$84,000 and US$168,000, respectively, in management service fees charged to GFPI, a decrease over the $109,998 and US$213,332, respectively, recorded for the three and six months ended June 30, 2009, the reduction being the result of a renegotiation of a lower monthly service fee. The Corporation also recorded additional reimbursements for direct and indirect G&A charged to GFPI of US$144,550 and US$273,781 for the three and six months ended June 30, 2009, versus no recoveries for the same periods in 2010. During 2009, the management service fees charged to GFPI under the provisions of the MSA between GFPI and the Corporation were intended to cover the costs of services provided to the affiliate by the two key executives, Alex T. Warmath and Richard E. MacDougal. Indirect G&A allocated to GFPI was based on quarterly department time analysis to determine the affiliate’s pro rata share of departmental expenses for the quarter for departments other than for Mr. Warmath and Mr. MacDougal. Direct expenses charged to the affiliate were based on the actual amounts invoiced to the Corporation.

As part of the revised MSA between GFPI and the Corporation effective from January 1, 2010, the management fees, time writing, and allocation of G&A charged in prior years were replaced by a single fixed management service fee approved in the annual budget of GFPI which was approved at a monthly rate of US$28,000 for 2010. The revised management service fee is intended to cover the cost of providing management oversight, technical and accounting services, and corporate overhead coverage associated with providing services to GFPI. With a reduced level of business activity for GFPI planned for 2010, management believes the fixed monthly service fee is adequate to cover the cost of providing the required services. Direct expenses incurred for the benefit of GFPI will be charged at cost. *See also "Equity Loss from Investment".*

Off-Balance Sheet Arrangements

The Corporation does not have any special purpose entities, nor is it party to any transactions or arrangements that would be excluded from the Corporation's balance sheet.

Financial Instruments

The Corporation's financial instruments recognized on the balance sheet include cash and cash equivalents, accounts receivable, investment in an affiliate carried at cost and accounts payable and accrued liabilities. The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying amounts due to their short term maturity. The investment in the affiliate is carried at cost. The estimated fair values of recognized financial instruments have been determined based on the Corporation's assessment of available market information.

To date, the Corporation has not used any derivative financial instruments, such as commodity price risk contracts to mitigate risk.

Contractual Commitments and Obligations

On May 3, 2010, the Corporation entered into a revised office lease agreement expanding office space from 4,583 to 6,045 square feet. Lease payment obligations reflected below include the additional leased space and the extension of the lease term through June 30, 2012. The Corporation also has various leases relating to office equipment which expire in 2010.

The following table outlines the Corporation's estimated remaining lease commitments over the life of the office lease and certain equipment lease agreements:

	2010	**2011**	**2012**	**2013**	**2014**	**Total**
Lease Payments	US$46,226	US$93,698	US$48,360	-	-	US$188,284

As part of an operating agreement, the Corporation has contractual commitments to GFPI to contribute up to US$1,500,000. As at June 30, 2010, the Corporation had contributed a total of US$1,458,980 of this committed amount.

Convergence with International Financial Reporting Standards

On January 1, 2011 International Financial Reporting Standards ("**IFRS**") will become the generally accepted accounting principles in Canada. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010. The Corporation has assessed the impact of adopting IFRS and is continuing to review plans for transition. The project is being managed by in-house accounting professionals who have experience converting Canadian GAAP to IFRS and continue to move forward with the Corporation's conversion plan. The Corporation's auditors will be involved throughout the process to ensure the Corporation's policies are in accordance with these new standards. The Corporation currently accounts for its oil and gas assets using the successful efforts method which shares similar basic principals with IFRS. The Corporation expects adjustments required for the conversion to be minimal. In regards to internal controls over financial reporting ("**ICFR**"), the Corporation will be determining which additional changes to ICFR will be required to deal with the changes in accounting policies. This will be ongoing through 2010 to ensure all changes in accounting policies include appropriate additional controls and procedures for future IFRS reporting requirements.

Financial and Liquidity Risks

The Corporation anticipates that it will make capital expenditures for the farm-in, acquisition of licenses, exploration, development and production of oil and natural gas in the future. On an ongoing basis, the Corporation will typically plan to utilize three sources of funding to finance its capital expenditure program; internally generated cash flow from operations, debt where deemed appropriate and new equity issues, if available at terms acceptable to the Corporation. In addition, the Corporation may contemplate divestiture of producing properties or other assets to fund its contractual obligations.

Funds flow is influenced by many factors, outside the control of the Corporation, including, such as commodity prices, interest rates and changes to existing international government regulations and tax policies. Should circumstances affect cash flow in a detrimental way, the Corporation may have limited ability to expend the capital necessary to undertake or complete future drilling programs. In such circumstances, the Corporation would be required to either reduce the level of its capital expenditures or supplement its capital expenditure program with additional debt and/or equity financing. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or, if debt or equity is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capitalization significantly. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations and prospects.

Issuance of Debt

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Supply of Service and Production Equipment

The supply of service and production equipment at competitive prices is critical to the ability to add reserves at a competitive cost and produce these reserves in an economic and timely fashion. In periods of increased activity, these supplies and services can be difficult to obtain. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities. The Corporation attempts to mitigate this risk by developing strong long-term relationships with suppliers and contractors. There can be no assurances that these relationships will increase the availability of the supplies and services.

Related Party Transactions

On August 31, 2010 the Corporation granted 986,000 stock options to officers, directors, employees and consultants of the Corporation in accordance with the Corporations stock option plan. The exercise price of the stock options is CDN$6.50 per Common Share and they expire on August 31, 2020. The stock options vest as to 25% on the date of grant and as to 25% on each of May 1, 2011, May 1, 2012 and May 1, 2013, except for stock options issued to Mark N. Witt, which vest as to 25% on August 31, 2010 and as to 25% on each of the first, second and third anniversaries of February 1, 2010.

One Director of the Corporation acquired 10,000 Common Shares in the September 2010 Private Placement for gross proceeds of $65,000.

Subsequent Events

On September 14, 2010, the Corporation completed the September 2010 Private Placement involving the issuance of 1,984,077 Common Shares at a price of CDN$6.50 per share for gross proceeds of approximately CDN$12,896,500 (approximately CDN$12,015,185 after deduction of the agents fees and expenses of the September 2010 Private Placement). Pursuant to the September 2010 Agency Agreement, the Corporation has agreed with the Agents that, if the Corporation does not list the Common Shares on a recognized Canadian stock exchange, or complete a transaction that as a result, all or substantially all of the outstanding Common Shares are exchanged for cash or securities of another issuer listed on a recognized stock exchange, by March 31, 2011, the subscribers will be entitled to receive one tenth of an additional Common Share in respect of each Common Share purchased in the September 2010 Private Placement. In addition, the Corporation also agreed that in the event that the Common Shares issued pursuant to the IPO are offered at a price which is less than $6.50 per share (the "**Share Price**"), the Corporation shall issue to each subscriber under the September 2010 Private Placement such number of additional Common Shares as is equal to the difference between the amount by which the Share Price exceeds the IPO Price, divided by the IPO Price.

In late September 2010, the Bahar Gas Sales Agreement, Bahar Oil Sales Agreement, the Joint Operating Agreement the BEOC Shareholders Agreement were entered into. See "*Business of the Corporation - Operational Matters and Pricing and Marketing*".

On September 29, 2010, the Corporation was notified by SOCAR that all conditions precedent of the ERDPSA were satisfied and the ERDPSA became effective as at October 1, 2010.

On October 28, 2010, SOCAR confirmed receipt of the obligatory signing bonus from Bahar Energy of US$2,000,000 (US$666,667 of which is allocated to the Corporation's 33.33% interest in Bahar Energy). See "*Business of the Corporation - Description of the ERDPSA*".

MD&A for the Year Ended December 31, 2009

In this section all references to the Corporation shall mean the Corporation or a predecessor thereto, as the context may require.

Selected Information

	Periods Ended December 31	
	2009	**2008**
Revenues	US$177,330	US$333,595
Net loss from continuing operations	(US$1,504,898)	(US$1,321,799)
Per share, basic and diluted	(US$0.23)	(US$0.35)
Net income (loss)	US$1,186,412	(US$3,762,854)
Per share, basic and diluted	US$0.18	(US$1.01)
Total assets	US$1,778,271	US$2,610,525
Working capital (deficiency)	US$1,349,791	(US$1,229,757)
Unitholders' equity	US$1,678,558	US$537,146

Results of Operations

<u>*Revenues*</u>

	Periods Ended December 31	
	2009	**2008**
Management service fees	US$176,666	US$333,340
Interest income	US$664	US$255
Total revenue	US$177,330	US$333,595

For the year ended December 31, 2009, the Corporation recorded US$176,666 in management service fees received under the MSA with the Corporation's affiliate company, GFPI, a 47% decrease over the period ended December 31, 2008. The decrease is a result of the renegotiation of the MSA resulting in the elimination of the management fees for the period June to December 2009 and converting to a fixed management fee beginning in January 2010 covering all services provided by the Corporation to GFPI. The management service fees going forward are to be determined each year based on the approved annual budget for GFPI. Beginning January 2010, the Corporation began to receive a monthly management service fee of US$28,000 for 2010 for providing all necessary management, technical, and administrative services related to the ongoing operations of GFPI.

General and Administrative Expenses

	Periods Ended December 31	
	2009	**2008**
General and administrative expenses from continuing operations		
Employee wages and benefits	US$1,354,903	US$1,410,452
Professional service costs	US$471,639	US$1,202,883
Office, travel and other	US$470,955	US$453,875
	US$2,297,497	US$3,067,210
Recoveries	(US$902,281)	(US$2,118,468)
General and administrative expenses from continuing operations	**US$1,395,216**	**US$948,742**
General and administrative expenses from discontinued operations		
Allocated corporate overhead	US$68,360	US$562,318
Professional service costs	US$448,579	US$182,060
Office, travel and other	US$36,820	US$147,115
Foreign office costs	US$291,764	US$1,180,571
` **General and administrative expenses from discontinued operations**	**US$845,523**	**US$2,072,064**

G&A expenses from continuing operations before recoveries for the period ended December 31, 2009 totaled US$2,297,497 compared to US$3,067,210 for the period ended December 31, 2008, a 25% reduction. The decrease is related to a 61% reduction in professional services from US$1,202,883 incurred during 2008 to US$471,639 in 2009. The higher professional service costs in 2008 are primarily related to international business development expenditures for projects in Azerbaijan, Gabon, Indonesia and Kazakhstan which were partially offset by G&A recovered from corporate charge out to the Indonesia Bunga Mas PSC reported in discontinued operations and reimbursement of international business development costs from GFPI, an unconsolidated affiliate. The Corporation recovered total G&A expenses of US$902,281 in 2009 compared to US$2,118,468 in 2008, a reduction of 57%, primarily due to reductions in chargeable project expenditures in 2009, reduced recovery from affiliates that are less than 100% owned by the Corporation and reduced charges to the Bunga Mas PSC in Indonesia, which was divested in April 2009 through the sale of Greenfields Petroleum (Lahat) Company.

The Corporation did not capitalize any of its G&A expenses for the periods ended December 31, 2009 and 2008.

Equity Loss from Investment

The Corporation recorded equity losses of US$270,637 and US$680,131, respectively, for the periods ended December 31, 2009 and 2008 in connection with its 15% equity interest in the earnings of the affiliated company GFPI.

Selected Financial Information for Equity Investment in GFPI

	Period ended December 31, 2009		Period ended December 31, 2008	
	Gross	**Net**	**Gross**	**Net**
Revenues and interest income	US$296,238	US$44,436	US$1,796	US$269
Net operating loss	(US$1,804,248)	(US$270,637)	(US$4,534,205)	(US$680,131)

Total Assets	US$2,813,946	US$422,092	US$1,288,320	US$193,248
Total Liabilities	(US$640,046)	(US$96,007)	(US$822,525)	(US$123,379)
Working Capital	(US$103,083)	(US$15,462)	(US$503,010)	(US$75,452)
Unitholders' Capital Funding	US$3,512,353	US$526,853	US$5,000,000	US$750,000
Production (Crude Oil bbls)	4,460	669	-	-

The Corporation made contributions of US$526,853 toward its share of capital funding for the year ended December 31, 2009 compared to US$750,000 for the period ended December 31, 2008, for total equity contributions of US$1,276,853 from inception. The Corporation recorded its equity share of net operating losses from GFPI of US$270,637 and US$680,131, for the periods ended December 31, 2009 and 2008, respectively. The lower net operating loss in 2009 is primarily the result of lower operating expenses due to reductions in dry hole costs of US$125,022, geological and geophysical expenses of US$137,726, and business development expenses of US$128,400. Further reductions in net operating losses resulted from US$44,422 in revenues recorded from the first producing oil wells completed in July and September 2009.

Interest

Interest expense for the year ended December 31, 2009 was US$14,943, an 18% reduction from the interest expense incurred in 2008. The reduction in interest expense is principally due to the related party notes payable. The notes payable were outstanding for approximately seven months during 2008 and were only outstanding for a four month period in 2009 prior to their repayment in April 2009.

Depreciation and Amortization

	Periods Ended December 31	
	2009	**2008**
Depreciation and amortization expense	US$1,432	-

Depreciation and amortization for the period ended December 31, 2009 was US$1,432 as compared with no depreciation and amortization for the period ended December 31, 2008. The increase is a result of the Corporation purchasing office equipment and recording leasehold improvements during 2009.

Discontinued Operations

Due to adverse market conditions as a result of the worldwide financial crisis and the desire of the Corporation to focus management time and attention on Azerbaijan, the Corporation elected to divest its interest in Greenfields Petroleum (Lahat) Company which indirectly owns a 51% working interest through its wholly owned subsidiary, BMIC in the Bunga Mas PSC in South Sumatra, Indonesia. On April 14, 2009, Greenfields Petroleum (Lahat) Company's parent company, Greenfields Petroleum (Indonesia) Company Ltd., entered into a sale and purchase agreement with APEC Indonesia Limited pursuant to which it sold Greenfields Petroleum (Lahat) Company to APEC Indonesia Limited for consideration of approximately US$5.3 million, as well as a contingent net profits interest. The contingent net profits interest took the form of a deferred payment agreement dated April 24, 2009, pursuant to which APEC Indonesia Limited agreed to pay Greenfields Petroleum (Indonesia) Company Ltd. a deferred purchase price payment in installments equal to 4% of BMIC's share of the crude oil remaining after the deduction of operating costs (otherwise known under the Bunga Mas PSC as "Profit Oil"), reduced by the amount of certain Indonesian taxes. Payments begin with the first production of Profit Oil from the area of the Bunga Mas PSC and will terminate when the installment payments total US$8 million. To date, no production has been realized by BMIC from the area of the Bunga Mas PSC. Greenfields Petroleum (Indonesia) Company Ltd. has agreed to indemnify up to a maximum of US$150,000 to APEC Indonesia Limited in respect of potential future reclamation efforts related to two previously established well locations, if required by the regulatory authorities. Greenfields Petroleum (Indonesia) Company Ltd. has also agreed to indemnify the buyer of Greenfields Petroleum (Lahat) Company for liabilities that might arise in the future for events that transpired during the period Greenfields Petroleum (Indonesia) Company Ltd. held its interest in Greenfields Petroleum (Lahat) Company. The maximum amount of the latter indemnification cannot be reasonably estimated due to its nature nor are such events considered likely. Historically, Greenfields Petroleum (Indonesia) Company Ltd. has not made any payments relating to such indemnification. Net income (loss) from discontinued operations is composed of the following:

	Periods Ended December 31	
	2009	**2008**
Management service fees	US$1,333,333	-
Project expenses	US$197,209	US$273,228
Exploration expenses	US$918,641	US$526,539
G&A expenses	US$845,523	US$2,072,064
Loss from discontinued operations before gain and non-controlling interest	(US$628,040)	(US$2,871,831)
Gain on sale of discontinued operations	US$3,794,289	-
Non-controlling interest	(US$474,939)	US$430,776
Net income (loss) from discontinued operations	US$2,691,310	(US$2,441,055)

Upon closing of the sale of Greenfields Petroleum (Lahat) Company to APEC Indonesia Limited on April 24, 2009, the Corporation entered into a nine month consulting services agreement with APEC Indonesia Limited to provide certain technical, geophysical, financial, commercial and administrative services to facilitate operations during the transition period. For the year ended December 31, 2009, US$1,333,333 in management service fees were received, reflecting fees for the first eight months of the consulting services agreement. The fees for the last months of the term of the consulting services agreement were received in January 2010.

Exploration expenses were US$918,641 and US$526,539, respectively, for the years ended December 31, 2009 and 2008. The majority of exploration expenses are attributable to the Bunga Mas 460 km 2D seismic program. The 2008 expenditures represent the early planning and field preparation work phase of the project. The 2009 increase in expenditures reflects the actual recording work being performed in the field by the seismic contractor, which was completed in early June 2009.

General and administrative expenses from discontinued operations for the year ended December 31, 2009 were US$845,523 compared to US$2,072,064 for the year ended December 31, 2008, a decrease of 59%. The decrease in G&A is primarily the result of only four months of operations during 2009, up to the sale of Greenfields Petroleum (Lahat) Company in April 2009, versus eight months of operations during 2008. Foreign office costs of US$291,764 incurred in 2009 reflect a 75% reduction from the US$1,180,571 incurred in 2008 due to eight months of operations in 2008 plus initial Jakarta office startup costs versus the four of months of operations in 2009. Project related professional services increased to US$448,579 in 2009 versus US$174,560 in 2008 primarily due to US$354,719 of costs associated with providing services under the consulting services agreements to the purchaser of the Greenfields Petroleum (Lahat) Company offset by the shorter operating period in 2009. Allocated corporate overhead included in discontinued operations G&A for the period ended December 31, 2009 and 2008 was US$68,360 and US$562,318, respectively, reflecting the same reduced period of project operations in 2009 versus 2008.

Income Taxes

Prior to February 19, 2010, when Greenfields LLC converted to a Delaware corporation, Greenfields LLC was a Texas limited liability company and was not subject to income tax, as it had elected to be taxed as a partnership for income tax reporting purposes. Consequently, the income or loss of Greenfields LLC was included in the income tax returns of the individual members.

Prior to April 4, 2008, the date the Corporation converted to a Texas limited liability company, the Corporation was an incorporated company and as such, recorded an income tax expense of US$8,208 related to the period ended April 4, 2008 when the Corporation was taxed as a corporation.

At December 31, 2009, the Corporation did not have any tax pools available for deduction against future year's taxable income.

Net Income (Loss) and Comprehensive Income (Loss)

	Periods Ended December 31	
	2009	**2008**
Loss (income) from continuing operations	(US$1,504,898)	(US$1,321,799)
Income (loss) from discontinued operations	US$2,691,310	(US$2,441,055)
Net income (loss)	US$1,186,412	(US$3,762,854)

Per Unit Data	**Periods Ended December 31**	
	2009	**2008**
Loss (income) from continuing operations, basic and diluted	(US$0.23)	(US$0.35)
Income (loss) from discontinued operations, basic and diluted	US$0.41	(US$0.66)
Net income (loss), basic and diluted	US$0.18	(US$1.01)

For the period ended December 31, 2009, the Corporation earned net income of US$1,186,412 as compared to a net loss of US$3,762,854 for the period ended December 31, 2008. The 2009 net income, and the increase from the same period in 2008, is primarily due to the income earned from discontinued operations of US$2,691,310. The discontinued operations earnings in 2009 were bolstered by the gain on sale of the Indonesian operations in the amount of US$3,794,289. During 2009, the Corporation divested its ownership in the shares of Greenfields Petroleum (Lahat) Company for net proceeds of US$5,264,189.

Cash Flow from Operating Activities

The Corporation recorded negative cash flow from operations of US$2,058,564 for the period ended December 31, 2009 compared to negative cash flow of US$2,902,675 for the period ended December 31, 2008. The lower negative cash flow in 2009 is a result of several factors including significant reduction in non-cash working capital items related to operations and reduced negative cash flow from the Corporations discontinued operations in Indonesia.

Equipment, Leasehold Improvements and Investments in Subsidiaries

The following table summarizes capital expenditures and investments in subsidiaries for the periods ended December 31, 2009 and 2008:

	Periods Ended December 31	
	2009	**2008**
Office equipment and leasehold improvements	US$9,608	-
Investment in GFPI	US$526,853	US$750,000
Investments in Indonesian subsidiary	-	US$1,906,685
Total	US$536,461	US$2,656,685

The Corporation invested US$1,523 in office equipment and US$8,085 in leasehold improvements during the year ended December 31, 2009. The Corporation made capital contributions of US$526,853 and US$750,000, respectively, for 2009 and 2008 toward its then 15% share of capital funding provided to GFPI.

During 2008 the Corporation invested US$1,906,685 for the acquisition of 100% of the outstanding shares of Anadarko (Lahat) Company, renamed to Greenfields Petroleum (Lahat) Company, which was the 100% owner of BMIC, the holder of a 51% working interest in the Bunga Mas PSC.

For the years ended December 31, 2009 and 2008, the Corporation did not capitalize any G&A expenses.

Members' Equity

	Periods Ended December 31	
	2009	**2008**
Weighted average member units outstanding - basic	6,445,617	3,727,475
Effect of dilutive securities	-	-
Weighted average member units outstanding – diluted	6,445,617	3,727,475

For the periods ended December 31, 2009 and 2008, the Corporation had no dilutive securities outstanding.

Outstanding Member Units	**Outstanding at December 31**	
	2009	**2008**
Member Units	6,450,000	6,450,000

The membership units and per unit numbers have been adjusted to reflect the unit split on the basis of one and one half (1.5) new units for every one unit previously outstanding which was completed on January 8, 2010.

On January 8, 2010, the Board of Directors approved the Former LTIP for employees, officers and directors of the Corporation. A total of 500,000 units were approved on February 1, 2010 and then granted on February 2, 2010. A total of 233,750 units were granted to board members, officers, employees, and contractors of the Corporation and fully vested when granted. The remaining 266,250 units were granted to employees, officers, and contractors of the Corporation with the majority vesting at one third (1/3) per year beginning on the first anniversary of the date of grant. On April 8, 2010 the Board of Directors terminated the Former LTIP.

On February 19, 2010, the Corporation effected the conversion from a Texas limited liability company to an incorporated company formed under the laws of the State of Delaware. As a result of this change, the Corporation changed its name to Greenfields Petroleum Corporation. The 6,950,000 outstanding member units were converted to the equivalent number of Common Shares.

On February 24, 2010, the Corporation completed the February 2010 Private Placement of 1,000,000 Units of the Corporation at CDN$5.00 per Unit, each Unit consisting of one Common Share and one-half of one Warrant. Each whole warrant entitles the holder to acquire one Common Share at a price of CDN$5.00 per share until February 24, 2012. The Corporation immediately converted the CDN$5,000,000 proceeds to U.S. dollars totaling US$4,733,504. An aggregate of 60,000 Compensation Units were issued to the brokers as commission pursuant to the February 2010 Private Placement. Each Compensation Unit is comprised of one Common Share and one-half of one Warrant.

Liquidity and Capital Resources

At December 31, 2009, the Corporation had no bank debt and working capital of US$1,349,791. In order for the Corporation to satisfy contractual commitments under the ERDPSA, the Corporation will have to raise additional debt or equity capital to meet these obligations.

MD&A for the Three Months Ended December 31, 2009

In this section all references to the Corporation shall mean the Corporation or a predecessor thereto, as the context may require.

Except for the signing of the ERDPSA, there were no events in the three months ended December 31 2009 that materially affected the financial condition of the Corporation.

Off-Balance Sheet Arrangements

The Corporation does not have any special purpose entities, nor is it party to any transactions or arrangements that would be excluded from the Corporation's balance sheet.

Related Party Transactions

In June 2008, the Corporation entered into loan agreements with two officers and directors of the Corporation, namely Richard E. MacDougal and Alex T. Warmath, whereby Messrs. MacDougal and Warmath loaned the Corporation a total of US$802,872. The loans were unsecured and bore interest at a rate of 4% per annum payable only when the notes are repaid. The Corporation accrued interest of US$18,313 as at December 31, 2008. The principal amount of the notes of US$802,872, together with interest of US$29,069, was repaid to the officers in April 2009.

For the year ended December 31, 2009, Greenfields recorded US$176,666 in related party management service fees from the Corporation's affiliated company GFPI, a 47% decrease over the US$333,340 recorded for the year ended December 31, 2008. The Corporation also recorded reimbursement for direct and indirect G&A charged at cost to GFPI of $680,604 for the year ended December 31, 2009, a 37% increase versus the US$496,142 charged for the year ended December 31, 2008. Since GFPI relies on the Corporation for technical and commercial resources, the management service fees charged to GFPI under the provisions of the MSA between GFPI and the Corporation are designed to reimburse the Corporation for the costs of services provided to the affiliate by the two key executives, Alex T. Warmath and Richard E. MacDougal, as well as other technical and G&A costs such as geology, engineering and accounting. Indirect G&A costs are prorated and allocated to the affiliate based on quarterly time analysis. Direct expenses charged to the affiliate are based on actual amounts invoiced.

Financial Instruments

The Corporation's financial instruments recognized on the balance sheet include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying amounts due to their short term maturity. The estimated fair values of recognized financial instruments have been determined based on the Corporation's assessment of available market information.

To date, the Corporation has not used any derivative financial instruments, such as commodity price risk contracts, to mitigate risk.

Contractual Commitments and Obligations

The Corporation has entered into an eighteen month office lease agreement that commenced on July 1, 2009 and expires on December 31, 2010, with an eighteen month extension option.

The following table outlines the Corporation's estimated remaining lease commitments over the life of the office lease and certain equipment lease agreements:

	2010	2011	2012	2013	2014	Total
Lease payments	US$78,681	US$4,470	-	-	-	US$83,151

As part of an operating agreement, the Corporation has contractual commitments to GFPI to contribute up to US$1,500,000. As at December 31, 2009, the Corporation had contributed a total of US$1,276,853 of this committed amount.

Changes in Accounting Policies

On January 1, 2009, the Corporation adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets" issued by the Accounting Standards Board. The new section replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard had no impact on the Corporation's consolidated financial statements.

On January 1, 2009 the Corporation adopted CICA EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this EIC had no impact on the Corporation's consolidated financial statements.

During 2009, CICA Handbook Section 3862, "Financial Instruments – Disclosures", was amended to include enhanced disclosures about inputs to fair value measurement, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are: Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities; Level 2- Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3- Inputs that are not based on observable market data. The Corporation's financial instruments measured at fair value on the balance sheets are limited to cash and cash equivalents. Under the new disclosure requirements, cash and cash equivalents are classified as Level 1.

Recent Accounting Pronouncements

In January 2009, the CICA issued Section 1582, "Business Combinations", which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011, with earlier application permitted. The Corporation cannot, at this time, assess the impact of the adoption of this standard on the results of operations or financial position of the Corporation.

In January 2009, the CICA issued Sections 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests", which replace existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for non-controlling interest in a subsidiary in consolidated financial statements to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011, with earlier application permitted. The Corporation does not expect the adoption of this standard to have a material impact on our results of operations or financial position.

International Financial Reporting Standards

On January 1, 2011, IFRS will become the generally accepted accounting principles in Canada. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010. The Corporation has assessed the impact of adopting IFRS and is continuing to review plans for transition.

The project is being managed by in-house accounting professionals who have experience converting Canadian GAAP to IFRS and continue to develop the Corporation's conversion to IFRS. The Corporation's auditors will be involved throughout the process to ensure the Corporation's policies are in accordance with these new standards. The Corporation currently accounts for its oil and gas assets using the successful efforts method which shares basic principles with IFRS. The Corporation believes that any adjustments required for conversion are expected to be minimal.

In regards to ICFR, the Corporation will be determining which additional changes to ICFR will be required to deal with the changes in accounting policies. This will be ongoing through 2010 to ensure all changes in accounting policies include appropriate additional controls and procedures for future IFRS reporting requirements.

Property, Equipment and Leasehold Improvements

The successful efforts method is used to account for oil and gas exploration and development costs. Under this method, acquisition costs of oil and gas properties and costs of drilling and equipping development wells are capitalized. Exploration well costs are initially capitalized and, if subsequently determined to have not found sufficient reserves to justify commercial production, are charged to dry hole expense. In respect of exploration well costs for wells that have found sufficient reserves to justify commercial production, but which reserves have not been determined to be proved, the costs related to those unproved reserves can continue to be capitalized as long as sufficient progress is being made to assess the reserves and economic viability of the well and/or related project. All other exploration costs, including geological and geophysical costs and annual lease rentals, are charged to exploration expense when incurred.

Producing properties and significant unproved properties are assessed when events occur that indicate the carrying value of properties may not be recoverable from future cash flows. Any impairment loss is the difference between the carrying value of the asset and its fair value. Fair value is calculated as the present value of estimated expected future cash flows from proved, probable and, as appropriate, possible reserves.

Repairs and maintenance costs are charged as an expense when incurred.

Computer equipment is recorded at cost with straight line depreciation provided for over the estimated useful life of three years. Leasehold improvements are recorded at cost with straight line amortization provided for over the term of the office lease of three years, including an eighteen month renewal option.

Business Risks

Exploration, development and production of petroleum and natural gas involves many risks that even the combination of experience and diligent evaluation may not be sufficient to overcome. The Corporation attempts to mitigate these risks by utilizing highly skilled professionals, focusing in areas where the Corporation has existing knowledge and expertise or access to such expertise, using modern technology, and controlling costs to maximize margins. The Corporation maintains a comprehensive insurance program that insures liability and property consistent with good industry practices. The Corporation is not, however, insured against all these risks, nor are all such risks insurable.

Financial risks include exposure to fluctuation in commodity prices, currency exchange rates and interest rates. To mitigate these risks, the Corporation may enter into physical contracts for the sale of crude oil, natural gas liquids and natural gas at fixed prices. The Corporation may also institute financial hedging techniques for interest rates, currency exchange rates and commodity prices. If utilized, such transactions would be subject to certain limits on term and amount as established by the Board of Directors.

Oil and Gas Risk

Inherent in development of oil and gas reserves are risks, among others, of drilling dry holes, encountering production or drilling difficulties or experiencing high decline rates in producing wells. In addition, a major market risk exposure is anticipated in the pricing applicable to the Corporation's oil and gas production. Realized pricing is expected to be primarily driven by the prevailing worldwide price for crude oil and spot prices applicable to the Corporation's oil and natural gas production. Prices received for oil and gas production have been and remain volatile and unpredictable. If oil and gas prices decline significantly, even if only for a short period of time, it is possible that non-cash write-downs of the Corporation's oil and gas properties could occur under the successful efforts accounting method. Under these rules, the Corporation reviews the carrying value of the Corporation's proved oil and gas properties each quarter to ensure that capitalized costs of proved oil and gas properties, net of accumulated depreciation, depletion and amortization do not exceed the "ceiling." This ceiling is the present value of estimated future net cash flows from proved oil and gas reserves, discounted at ten percent (10%), plus the lower of cost or fair value of unproved properties included in the costs being amortized, net of related tax effects. If capitalized costs exceed this limit, the excess is charged to additional depletion, depreciation and accretion expense. The calculation of estimated future net cash flows is based on forecasted prices for crude oil and natural gas except for volumes sold under long-term contracts. Write-downs required by these rules do not impact cash flow from operating activities; however, as discussed above, sustained low prices would have a material adverse effect on future cash flows.

Financial and Liquidity Risks

The Corporation anticipates that it will make capital expenditures for the farm-in, acquisition of licenses, exploration, development and production of oil and natural gas in the future. On an ongoing basis, the Corporation expects to utilize three sources of funding to finance its capital expenditure program: internally generated cash flow from operations, debt where deemed appropriate and new equity issues, if available at favourable terms. In addition, the Corporation may contemplate the sale of producing properties or the sale of other assets to fund its contractual obligations.

Funds flow is influenced by many factors, which the Corporation cannot control, such as commodity prices, interest rates and changes to existing international government regulations and tax policies. Should circumstances affect cash flow in a detrimental way, the Corporation may have limited ability to expand the capital necessary to undertake or complete future drilling programs. In such circumstances, the Corporation would be required to either reduce the level of its capital expenditures or supplement its capital expenditure program with additional debt and/or equity financing. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or, if debt or equity is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capitalization significantly. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations and prospects.

Issuance of Debt

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Supply of Service and Production Equipment

The supply of service and production equipment at competitive prices is critical to the ability to add reserves at a competitive cost and produce these reserves in an economic and timely fashion. In periods of increased activity, these supplies and services can be difficult to obtain. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

The Corporation attempts to mitigate this risk by developing strong long-term relationships with suppliers and contractors. There can be no assurances that these relationships will increase the availability of the supplies and services.

DESCRIPTION OF SHARE CAPITAL

The Corporation's authorized share capital consists of 50,000,000 shares of capital stock, consisting of (i) 49,900,000 Common Shares, which have a par value US$0.001 per share, and (ii) 100,000 shares of preferred stock, par value US$0.001 per share ("**Preferred Shares**").

Common Shares

The holders of the Common Shares are entitled to vote upon all matters submitted to a vote of holders of Common Shares and are entitled to one vote in respect of each Common Share held. The holders of the Common Shares are entitled to receive such dividends (payable in cash, stock or otherwise) as may be declared by the Board at any time and from time to time out of any funds of the Corporation legally available therefore. In the event of any voluntary or involuntary liquidation, dissolution or wind-up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and subject to the preferential or other rights (if any) of the holders of shares of any issued and outstanding Preferred Shares in respect thereof, the holders of Common Shares shall be entitled to receive all of the remaining assets of the Corporation available for distribution to its shareholders, prorated in proportion to the number of shares of Common Shares held by them.

Preferred Shares

The Board may issue Preferred Shares at any time and from time to time in one or more series. The Board has the authority to issue Preferred Shares in series and determine the price, number, designation, rights, privileges, restrictions and conditions, including dividend rights, conversion rights, rights with respect to the distribution of assets in the event of the dissolution or winding-up of the Corporation and preferential rights, of each series without further vote or action by shareholders.

DIVIDENDS

The Corporation has not declared or paid any dividends since its conversion to a corporation on February 19, 2010, and while it may pay dividends in the future, the Corporation does not anticipate the declaration or payment of dividends in the foreseeable future. Any decision to pay dividends on its shares will be made by the Board based on the Corporation's earnings, financial requirements and other conditions existing at such future time.

CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets forth the capitalization of the Corporation as at the dates indicated and is based on the audited and unaudited financial statements of the Corporation which are included in this prospectus. The following should be read in conjunction with the audited financial statements of the Corporation and management's discussion and analysis thereon.

	Authorized	As at December 31, 2009	As at June 30, 2010(1)	As at June 30, 2010 after giving effect to the September 2010 Private Placement and the Offering(2)
Units of Greenfields, LLC	Unlimited	US$4,255,000 (4,300,000 units)(3)	N/A	N/A
Common Shares(4)	49,900,000	Nil	US$7,783,937 (8,010,000 shares)(5)	US$52,602,131 (14,229,077 shares)(6)(7)
Preferred Stock	100,000	Nil	Nil	Nil
Warrants	N/A	Nil	US$1,198,313 (530,000 warrants(5))	US$1,198,313 (530,000 warrants(5))
Short Term Debt	N/A	Nil	Nil	Nil
Long Term Debt	N/A	Nil	Nil	Nil

Notes:

(1) After giving effect to the conversion to a Corporation on February 19, 2010 and the completion of the February 24, 2010 Private Placement but not including the September 2010 Private Placement.

(2) Based on the issuance of 4,235,000 Common Shares pursuant to the Offering for gross proceeds of CDN$35,997,500, less the Agents' commission of 6% of the gross proceeds of the Offering, and less the estimated expenses of the Offering of CDN$675,000 (and without giving effect to the Over-Allotment Option. If the Over-Allotment Option is exercised in full, there will be 14,864,327 Common Shares (CDN$57,677,779) outstanding).

(3) The units of Greenfields, LLC were split on January 8, 2010 on the basis of 1.5 units for each unit previously outstanding. The number of units shown in this table does not reflect this unit split.

(4) The Corporation has also granted stock options to purchase 986,000 Common Shares at a price of CDN$6.50 per share. See "*Options and Warrants to Purchase Securities*".

(5) On February 24, 2010, the Corporation completed the February 2010 Private Placement of 1,000,000 Units, each Unit consisting of one Common Share and one-half of one Warrant. Each whole Warrant entitles the holder to acquire one Common Share at a price of CDN$5.00 per share until February 24, 2012. An aggregate of 60,000 Compensation Units were also issued to FirstEnergy and Raymond James as commission payable pursuant to the February 2010 Private Placement. Each Compensation Unit is comprised of one Common Share and one-half of one Warrant.

(6) On September 14, 2010, the Corporation completed the September 2010 Private Placement of 1,984,077 Common Shares at a price of $6.50 per Common Share for gross proceeds of approximately CDN$12,896,500 (US$12,512,370) (approximately US$11,655,544 after deduction of US$109,868 for expenses and US$746,958 for the agents fees in connection with the September 2010 Private Placement). As part of the September 2010 Private Placement, the Corporation also agreed to provide the Liquidity Entitlements. See "*Business of the Corporation - General Development of the Business*".

(7) Of these Common Shares, 253,750 remain subject to the vesting provisions of the Former LTIP.

OPTIONS AND WARRANTS TO PURCHASE SECURITIES

Description of the Option Plan

The Corporation has adopted a stock option plan in accordance with the policies of TSXV (the "**Stock Option Plan**") which provides that the compensation committee of the Board of Directors of the Corporation (the "**Compensation Committee**") may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation, or its subsidiaries, non-transferable Options to purchase Common Shares, provided that the number of Common Shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding Common Shares exercisable for a period of up to ten (10) years. In addition, the number of Common Shares, reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to any one consultant or employee conducting Investor Relations Activities (as such term is defined by TSXV) will not exceed 2% of the issued and outstanding Common Shares in any 12 month period. The Compensation Committee determines the price per Common Share and the number of Common Shares which may be allotted to each director, officer, employee and consultant and all other terms and conditions of the Options, subject to the rules of TSXV. If the holder ceases to be a director, officer, employee or consultant of the Corporation, such holder's Options will expire if not exercised within a reasonable period of time from the date of termination of employment or cessation of position with the Corporation, unless if by reason of death, in which case such holder's Options will expire if not exercised within 12 months from the date of death. The price per Common Share set by the Board of Directors shall not be less than the last closing price of the Common Shares on TSXV prior to the date on which such option is granted, less the applicable discount permitted (if any) by TSXV. If prior to the exercise of an Option, the holder ceases to be a director, officer, employee or consultant of the Corporation, or its subsidiaries, the Option of the holder shall be limited to the number of shares purchasable by him/her immediately prior to the time of his/her cessation of office or employment and he/she will have no right to purchase any other shares.

The Corporation does not currently have any stock options outstanding.

On August 31, 2010, the Corporation granted the following stock options:

Name	Number of Common Shares Under Option	Exercise Price Per Common Share	Expiry Date
Officers	450,000	CDN$6.50	August 31, 2020
Directors	260,000	CDN$6.50	August 31, 2020
Employees	146,000	CDN$6.50	August 31, 2020
Consultants	130,000	CDN$6.50	August 31, 2020
Total	986,000		

The Options vest as to 25% on August 31, 2010 and as to 25% on each of May 1, 2011, May 1, 2012 and May 1, 2013, except for Options issued to Mark N. Witt, which vest as to 25% on August 31, 2010 and as to 25% on each of February 1, 2011, February 1, 2012 and February 1, 2013.

Warrants

Pursuant to the February 2010 Private Placement, the Corporation issued an aggregate of 530,000 Warrants. Each Warrant entitles the holder thereof to acquire one Common Share at a price of CDN$5.00 per share until February 24, 2012.

Liquidity Entitlements

Pursuant to the September 2010 Agency Agreement, the Corporation has agreed with the Agents that, if the Corporation does not list the IPO on a recognized Canadian stock exchange, or complete a transaction where, as a result, all or substantially all of the outstanding Common Shares are exchanged for cash or securities of another issuer listed on a recognized stock exchange, by March 31, 2011, the subscribers will be entitled to receive one tenth of an additional Common Share in respect of each Common Share purchased in the September 2010 Private Placement. In addition, the Corporation also agreed that in the event that the Common Shares issued pursuant to the IPO are offered at the IPO Price which is less than the Share Price, the Corporation shall issue to each subscriber under the September 2010 Private Placement such number of additional Common Shares as is equal to the Liquidity Entitlements.

PRIOR SALES

In the past 12 months, units of Greenfields LLC, Common Shares or securities convertible or exercisable for Common Shares, have been issued by the Corporation as follows:

Date of Issuance	Nature of Securities Issued	Number of Securities Issued or Issuable	Issue Price Per Security	Aggregate Issue Price
September 30, 2009	Units of Greenfields LLC	(33,334)[(1)]	US$1.00	(US$33,334)
November 4, 2009	Units of Greenfields LLC	33,334[(1)]	US$1.00	US$33,334
February 2, 2010	Units of Greenfields LLC	500,000[(2)]	US$0.66	Nil
February 24, 2010	Units	1,000,000[(3)]	CDN$5.00	CDN$5,000,000[(4)]
February 24, 2010	Compensation Units	60,000[(5)]	CDN$5.00	N/A
September 14, 2010	Common Shares	1,984,077	CDN$6.50	CDN$12,896,500.50[(6)]

Notes:

(1) A former officer on his departure from Greenfields LLC desired to sell units of Greenfields LLC. These units were redeemed by Greenfields LLC and then re-issued to existing members.

(2) These units of Greenfields LLC were issued pursuant to the Former LTIP to employees, directors and officers and consultants as compensation for services (past and future). Of this amount, 253,750 are subject to vesting provisions pursuant to the Former LTIP.

(3) 1,000,000 Units were issued pursuant to the February 2010 Private Placement, each Unit consisting of one Common Share and one-half of one Warrant.

(4) Gross proceeds of the February 2010 Private Placement.

(5) An aggregate of 60,000 Compensation Units were issued to FirstEnergy and Raymond James as commission payable pursuant to the February 2010 Private Placement. Each Compensation Unit is comprised of one Common Share and one-half of one Warrant.

(6) Gross proceeds of the September 2010 Private Placement.

Except for Common Shares issuable pursuant to the Offering, the Warrants and the stock options described under "*Options and Warrants to Purchase Securities - Description of the Option Plan*", the Corporation has no present intention to issue any other securities.

ESCROWED SECURITIES

National Policy 46-201 Escrow

In accordance with the Canadian Securities Administrators Policy 46-201 *Escrow for Initial Public Offerings* (the "**Policy**"), the Corporation is classified as an exempt issuer, and as a result none of its securities are subject to escrow.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Corporation, the only shareholders who own, either directly or indirectly, or exercise control or direction over more than 10% of the outstanding voting shares of the Corporation as at the date hereof and after giving effect to the Offering are as follows:

Principal Shareholder	Type of Ownership	Number of Common Shares	Percentage of Class prior to the Offering	Percentage of Class after Giving Effect to the Offering[(2)]
Richard E. MacDougal	Direct	1,511,667	15.13%	10.63%
Alex T. Warmath	Direct	1,475,667[(1)]	14.77%	10.37%

Notes:

(1) This does not include the 36,000 Common Shares owned by WFT-A Trust and WFT-T Trust, two trusts the beneficiaries of which are members of Mr. Warmath's immediate family and of which Mr. Warmath is not a trustee.

(2) After giving effect to the Offering, on a fully-diluted basis, Messrs. MacDougal and Warmath will own 9.60% and 9.37% of the outstanding Common Shares, respectively (without giving effect to the Over-Allotment Option).

DIRECTORS AND OFFICERS

The following table sets out, for each of the Corporation's directors and executive officers, the person's name, municipality of residence, position within the Corporation, principal occupation during the past five years and how long they have served as a director or officer of the Corporation.

As at the date of this prospectus, the Corporation's directors and executive officers as a group beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 4,905,022 Common Shares, representing 49.1% of the outstanding Common Shares (and will represent 34.48% of the outstanding Common Shares after giving effect to the Offering, without including the Over-Allotment Option or any securities which may be purchased by directors and executive officers pursuant to the Offering and any stock options held by or to be issued to such persons). The following information relating to the directors and officers is based on information received by the Corporation from said persons.

Name and Municipality of Residence	Position(s) with the Corporation	Principal Occupation in the Last Five Years	Director or Officer Since	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled
John W. Harkins[(4)] The Woodlands, Texas	President, Chief Executive Officer and Director	President and Chief Executive Officer of the Corporation since February 11, 2010; prior thereto a Vice-President, Business Development of the Corporation from July 2008 to February 2010. Manager of Anadarko Petroleum Corporation ("**Anadarko**") from June 2001 to June 2008.	October 1, 2008	969,667[(5)]
Richard E. MacDougal[(3)] The Woodlands, Texas	Co-founder, Senior Vice-President, Chief Operating Officer and Director	Senior Vice-President and Chief Operating Officer of the Corporation since February 11, 2010; prior thereto the President of the Corporation from November 30, 2007 to February 2010; Chief Operating Officer of GFI Oil and Gas Corporation and its predecessor ("**GFI**") from March 2005 to April 2008.	November 30, 2007	1,511,667[(5)]
Alex T. Warmath[(2)] The Woodlands, Texas	Co-founder, Senior Vice-President, Chief Technical Officer and Director	Senior Vice-President and Chief Technical Officer of the Corporation since February 11, 2010; prior thereto, Chief Executive Officer of the Corporation from November 30, 2007 to February 11, 2010. Chief Executive Officer of GFI from March 2005 to April 2008.	November 30, 2007	1,475,667[(5)(6)]
Mark N. Witt Houston, Texas	Vice-President, Finance, Chief Financial Officer and Treasurer	Vice-President, Finance, Chief Financial Officer and Treasurer of the Corporation since February 2010; prior thereto Managing Member of Commercial Energy Services LLC, a private energy consulting company, since March 2003. Chief Financial Officer of GFI from March 2005 to February 2007.	February 11, 2010	46,694[(5)]
Michael J. Hibberd[(1)(4)] Calgary, Alberta	Chairman and Director	Chairman and Chief Executive Officer of MJH Services Inc., a corporate finance advisory business established in 1995. Chairman of Heritage Oil Plc., Heritage Oil Corporation and Canacol Energy Ltd., public oil and gas exploration companies. Co-Chairman of Sunshine Oilsands Ltd. Current director of AltaCanada Energy Corp., Pan Orient Energy Corp. and Sagres Energy Inc., all public oil and gas companies.	February 23, 2010	50,000[(7)]
Donald R. Ingram[(1)(3)] Calgary, Alberta	Director	Independent corporate director since August 2008. Formerly Senior Vice-President with Husky Energy Inc., an integrated oil and gas exploration and production company, since 2000. Previously, Chairman and Director of Sultran Ltd., a sulphur logistics and	February 23, 2010	35,000

Name and Municipality of Residence	Position(s) with the Corporation	Principal Occupation in the Last Five Years	Director or Officer Since	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled
		transportation company, between 1999 and 2008. Currently a Director of NAL Oil & Gas Trust and Chairman and a Director of SilverBirch Energy Corporation, two public companies listed on TSX, and also a Director of the Calgary Airport Authority.		
Garry P. Mihaichuk(1)(2)(3)(4) Calgary, Alberta	Director	Businessman whose principal business activities since May 2009 have been corporate and community directorships, as well as acting as President of GWM Resources Ltd. Prior thereto the President and CEO of Toromont Energy Systems Inc. from November 2007 to May 2009. Vice-President of Heavy Oil and Oil Sands for Husky Energy Inc. from 2005 to 2007 and Senior Vice-President of Mancal Corporation from 2001 to 2005.	February 23, 2010	38,077
Christopher C. Rivett-Carnac(2)(4) London, United Kingdom	Director	Geological Consultant since June 2005. Director of Worldwide Petroleum Services Ltd. since February 2007. CEO of Serica Energy Corporation, a public oil and gas company listed on TSXV, from December 2003 to June 2005.	June 30, 2008	410,000(8)
A. Wayne Curzadd Katy, Texas	Vice-President and Comptroller	Vice-President and Comptroller of the Corporation since October 2008; prior thereto Manager of Financial Reporting of GFI from April 2007 to September 2008. Regional Consulting Manager of Wellpoint Systems Inc. and its predecessor IDEAS International Inc. from June 1994 to April 2007.	October 1, 2008	126,750(5)
Glenn F. Miller Houston, Texas	Vice-President, Operations	Vice-President, Operations of the Corporation since October 1, 2008; prior thereto an independent consultant.	October 1, 2008	177,000(5)
Janet A. Nussbaum Houston, Texas	General Counsel and Secretary	General Counsel and Secretary of the Corporation since October 2008; Independent legal counsel for various international oil and gas companies since March 2000.	October 1, 2008	64,500(5)
Douglas M. Stuve Calgary, Alberta	Assistant Secretary	Partner with Burstall Winger LLP, Barrister & Solicitors, since April 1, 1998.	February 23, 2010	Nil

Notes:

(1) Member of the Audit Committee.
(2) Member of the Reserve Committee.
(3) Member of the Compensation Committee.
(4) Member of the Corporate Governance and Nominating Committee.
(5) This number includes Common Shares that have not yet fully-vested under the Former LTIP.
(6) This does not include the 36,000 Common Shares owned by the WFT-A Trust or the WFT-T Trust, two trusts the beneficiaries of which are members of Alex T. Warmath's immediate family. Mr. Warmath is not a trustee of either of the trusts.
(7) This amount includes 10,000 Common Shares owned by MJH Services Inc., a private company which is wholly-owned and controlled by Michael J. Hibberd.
(8) This amount includes 35,000 Common Shares owned personally and 375,000 Common Shares owned by Minghung Investment Limited. Minghung Investment Limited is a private company of which Mr. Rivett-Carnac is a director and which is wholly-owned and controlled by the Carnac Family Trust.

Biographies

The following are brief profiles of the Corporation's directors and executive officers.

John W. Harkins, Age 54, President, Chief Executive Officer and Director

John W. Harkins has over 30 years of diverse international energy experience in which he has managed commercial efforts to find, capture and exploit international energy and midstream business opportunities. Mr. Harkins has been the Chief Executive Officer of the Corporation since February 11, 2010, and the Vice-President of the Corporation from October 1, 2008 to February 2010. Mr. Harkins acted as head of business development in Asia for Anadarko from June 2001 to June 2008, in which capacity Mr. Harkins was able to expand Anadarko's exploration positions in Asia.

As a senior executive for TransCanada Pipelines Ltd. in the mid 1990s, Mr. Harkins established a significant and successful midstream business in Latin America. He played a prominent role in the establishment of some of the first private gas pipelines and a power project in Mexico, a liquids extraction facility in Venezuela and major oil and gas pipelines in Colombia.

Mr. Harkins has considerable experience negotiating with various national and international oil and gas companies, and has also managed operating committees and technical committees for production sharing and tax/royalty contracts during the sixteen years he was with Amoco Corporation. He has broad experience in participating and negotiating various financings and acquisition & divestment deals. Mr. Harkins has been involved in successfully closing structured financing for energy projects with banks, multilaterals and other financial institutions. His international experience includes exposure to more than 25 countries.

Mr. Harkins holds a Bachelor of Science Degree in Chemical Engineering from the University of Toronto and has participated in additional graduate studies in Business Administration.

Mr. Harkins devotes his full time to the Corporation's affairs pursuant to an employment agreement, which does include a one year non-solicitation provision prohibiting competition with the Corporation in Azerbaijan and other "core areas" as designated by the Board of Directors.

Richard E. MacDougal, Age 60, Co-founder, Senior Vice-President, Chief Operating Officer and Director

Richard E. MacDougal has over 30 years of international and domestic oil and gas experience. Most recently, Mr. MacDougal has directed the Corporation's efforts to locate, capture and develop international oil and gas greenfields. Mr. MacDougal has been the Chief Operating Officer and Senior Vice-President of the Corporation since February 11, 2010, and prior thereto was the President of the Corporation from November 30, 2007 to February 2010. Mr. MacDougal was the Chief Operating Officer of GFI Oil & Gas Corporation, a public company listed on TSXV, from March 2005 until April 2008 when it was sold.

Mr. MacDougal has managed international oil and gas operations in Qatar, Oman, Brazil, Venezuela, Pakistan, Azerbaijan, Kazakhstan, and Alaska. Previously, Mr. MacDougal has managed operations in both major and independent international oil and gas companies.

Over the past several years, Mr. MacDougal has managed and operated several company subsidiaries that were based overseas. He was Vice-President, International Business Development of Anadarko from February 2001 to March 2004. Mr. MacDougal was the President of Union Texas Petroleum Azerbaijan Company in Baku, Azerbaijan from 1995 to 1998, Senior Vice-President and General Manager for First International Oil Company in Almaty, Kazakhstan from February 1998 to October 2000, and Vice-President of Hurricane Hydrocarbons Ltd. from October 2000 to February 2001, where he managed their joint ventures and acquisitions in Kazakhstan.

Mr. MacDougal has significant experience negotiating with national oil companies and international oil and gas companies in various countries, along with managing operating committees and technical committees for production sharing and tax/royalty contracts. Mr. MacDougal also has experience in Indonesia, Argentina, Tunisia, and Russia.

Mr. MacDougal served on the management committee of Union Texas Petroleum and reported directly to the Chairman and Chief Executive Officer. Mr. MacDougal played a prominent role in the establishment of the first onshore production sharing agreement in Azerbaijan approved by their parliament with Union Texas Petroleum.

Mr. MacDougal is a licensed Professional Petroleum Engineer in the state of Texas. Mr. MacDougal is a retired United States Navy Lieutenant Commander in which his last official position was Deputy Supervisor of Diving for the Office of Diving.

Mr. MacDougal holds a Bachelor of Science degree (Ocean Engineering) from Florida Atlantic University, as well as a Master of Science degree from Massachusetts Institute of Technology ("**MIT**") in Ocean Engineering, and a Master of Science degree in Systems from the University of Southern California.

Mr. MacDougal devotes his full time to the Corporation's affairs pursuant to an employment agreement, which does include a one year non-solicitation provision prohibiting competition with the Corporation in Azerbaijan and other "core areas" as designated by the Board of Directors.

Alex T. Warmath, Age 59, Co-founder, Senior Vice-President, Chief Technical Officer and Director

Alex T. Warmath has over 35 years of diverse international and domestic experience. Prior to co-founding Greenfields LLC, Mr. Warmath co-founded GFI and served as Chief Executive Officer. Mr. Warmath managed GFI's effort to find and develop previously discovered international oil and gas fields. Mr. Warmath was also responsible for negotiating and capturing all but one of the seven opportunities captured by GFI. GFI was listed on the TSXV and was sold in April 2008 to a public oil and gas company listed on the London Stock Exchange. Mr. Warmath has been co-founder and developer of five international private and public oil and gas companies.

Previously, Mr. Warmath was Project G&G Manager in Indonesia for Andarko and was Senior Director of Internal New Ventures for Enron, Global E&P where he was responsible for capturing interests in five new PSAs and exploration licenses within three years. Mr. Warmath has co-founded five private/public companies and has previously served on the board of directors of several oil field service companies, as well as oil and gas exploration and production companies.

In the past several years, Mr. Warmath has been responsible for capturing multiple international development opportunities. Mr. Warmath has considerable experience negotiating with various national oil companies and international oil and gas companies, and has managed activities for several international production-sharing contracts resulting in exposure to more than 24 countries.

Mr. Warmath has been the Chief Technical Officer and Senior Vice-President of the Corporation since February 11, 2010 and prior thereto was the Chief Executive Officer of the Corporation from November 2007 to February 2010.

Mr. Warmath is a Licensed Professional Geoscientist in the state of Texas and is a Certified Petroleum Geologist with the American Association of Professional Geologists. Mr. Warmath holds a Masters and a Bachelors degrees in Geology from Georgia Southern University.

Mr. Warmath devotes his full time to the Corporation's affairs pursuant to an employment agreement, which does include a one year non-solicitation provision prohibiting competition with the Corporation in Azerbaijan and other "core areas" as designated by the Board of Directors.

Mark N. Witt, Age 51, Vice-President - Finance, Chief Financial Officer and Treasurer

Mark N. Witt is a senior finance executive with 30 years of energy industry experience previously serving as Chief Financial Officer for four public energy companies as well as senior management positions with major international energy companies.

Mr. Witt has been the Vice President - Finance, Chief Financial Officer and Treasurer of the Corporation since February 11, 2010. Mr. Witt served as the Chief Financial Officer for GFI, a public company listed on TSXV, from March 2005 to February 2007. Previously Mr. Witt served as Chief Financial Officer for Virginia Gas Company, an integrated natural gas company which completed its initial public offering on NASDAQ in 1996 and as Chief Financial Officer for Prospect Energy Corp. during its initial public offering on NASDAQ from June 2004 to November 2004.

Mr. Witt has provided financial consulting in Singapore for Rubicon Offshore International, a floating production storage and offloading vessel contractor for GFI at its Bualuang oil field in Thailand, preparing for listing on the Singapore Stock Exchange.

Mr. Witt marketed power and natural gas derivatives for Goldman Sachs, GDF Suez and Enron Capital and Trade, and was Head of Planning and Control for BP Exploration's global gas business unit in London, England.

Mr. Witt began his career as a Certified Public Accountant with KPMG after earning a Bachelor of Business Administration in Accounting at the University of Texas at Austin. He has attended the Darden Business School Executive Program at the University of Virginia and the Investment Management Program at the London Business School.

Mr. Witt devotes the majority of his time to the Corporation's affairs pursuant to an employment agreement.

A. Wayne Curzadd, Age 58, Vice President and Comptroller

A. Wayne Curzadd has over 35 years of international and domestic oil and gas experience in the financial and business systems fields and has served in key management positions with major independent oil companies, as well as provided consulting services to large multi-national energy clients.

Mr. Curzadd has served as Vice-President and Comptroller of the Corporation since October 1, 2008. Previously, Mr. Curzadd was Director of Financial Reporting for GFI, a public company listed on TSXV, from April 2007 until September 2008. Mr. Curzadd was Regional Consulting Manager for Wellpoint Systems Inc. and its predecessor IDEAS International Inc., from June 1994 to March 2007 where he provided international consulting services to energy industry majors, including Exxon-Mobil, BP, Conoco-Phillips and Devon Energy.

Mr. Curzadd has experience of successfully establishing administrative functions to manage accounting, treasury, and logistics processes for oil and gas exploration projects worldwide with specialized skills for south America and South East Asia operations. His experience includes projects in over 30 countries.

Mr. Curzadd holds a Bachelor of Science degree in Accounting from Oklahoma State University.

Mr. Curzadd devotes his full time and attention to the Corporation's affairs.

Glenn F. Miller, Age 80, Vice-President, Operations

Glenn F. Miller has over 55 years of diverse international and domestic oil and gas experience. He has been the Vice-President, Operations for the Corporation since October 2008 and previously he has been an independent consultant to the oil and gas industry.

Mr. Miller has spent approximately 15 years in Russia and the former Soviet Union (1991 to 2006). During this period he served as the General Director of Vanyoganefe, LLC in Nizhevortovske Russia, one of the first and largest joint venture oil and gas companies in Russia from 1995 to 2001.

Prior to working in the former Soviet Union, Mr. Miller had served in various capacities in the United States and South America, including President and Director of Merit Drilling Company and Executive Vice-President and Director of Diamond M Company. His experience includes 20 years of active involvement in offshore operations.

He is a licensed Petroleum Engineer in the State of Texas and he holds a Bachelor degree in Petroleum Engineering from the University of Texas.

Mr. Miller devotes his full time and attention to the Corporation's affairs.

Michael J. Hibberd, Age 54, Chairman of the Board

Mr. Hibberd has significant energy project planning and capital markets experience. He spent 12 years with ScotiaMcLeod in corporate finance in Toronto and Calgary focusing on oil and gas, mining and communications companies. Mr. Hibberd was a Director and Senior Vice-President, Corporate Finance at ScotiaMcLeod until 1995.

In 1995, Mr. Hibberd established a corporate finance advisory business focused on providing advice to companies based in Calgary with North American and international operations. He has been actively involved in privatization projects in North America, Central Asia, the Middle East and South America. In addition to advising on Western Canadian and Nova Scotia projects that involved significant financing, Mr. Hibberd has been directly involved in projects, or in project financing and advisory work in the United States, Mexico, Chile, Colombia, Argentina, Kazakhstan, Ukraine, Oman, Qatar, Pakistan, Egypt, Iran, China, Thailand, Sudan, Tanzania and several other African nations.

Mr. Hibberd is currently President of MJH Services Inc. and serves as a director of AltaCanada Energy Corp. (TSXV, symbol ANG), Canacol Energy Ltd. (Chairman of the Board) (TSXV, symbol CNE), , Pan Orient Energy Corp. (TSXV, symbol POE), Heritage Oil Plc (Chairman of the Board) (LSE, symbol HOIL), Heritage Oil Corporation (Chairman of the Board) (TSX, symbol HOC) and Sagres Energy Inc. (TSXV, symbol SGI). Mr. Hibberd served as a director of Rally Energy Corp. until October 2007, as a director of Challenger Energy Corp. until September 2009, as a director of Zapata Energy Corporation until April 2010, as a director of Iteration Energy Inc. until June 2010 and as a director of Avalite Inc. until June 2010. Mr. Hibberd also served as a director of Deer Creek Energy Limited until December 2005.

Mr. Hibberd will devote such time to the Corporation's affairs as is required to fulfill his duties as Chairman and director.

Donald R. Ingram, Age 65, Director

Donald R. Ingram was most recently Senior Vice-President, Midstream and Refined Products with Husky Energy Inc. He has over 30 years of experience in refining, upgrading, crude oil, natural gas and products, marketing, trading and logistics, pipelines, corporate mergers and acquisitions. Mr. Ingram is also the former Chairman and Director of Sultan Ltd., former President of RMT Inc. (Husky Energy Inc.'s USA Downstream and Refinery business), former Manager of Crude and Product Marketing for Canadian Superior Oil Ltd., former Vice-President and Chief Financial Officer for Cansulex Limited, and former Director of the Canadian Petroleum Products Institute and UTS Energy Corporation. He is currently the Chairman, a Director and member of the audit committee of SilverBirch Energy Corporation, a Director and member of the audit committee of NAL Oil and Gas Trust and a Director of the Calgary Airport Authority.

Mr. Ingram attended Mount Royal University where he earned a Diploma in Business Administration. He became a Registered Industrial Accountant in 1971 (Certified Management Accountant) and was made a Fellow of the Society of Management Accountants of Canada in 1999.

Mr. Ingram will devote such time to the Corporation's affairs as is required to fulfill his duties as director.

Garry P. Mihaichuk, Age 56, Director

Garry P. Mihaichuk is a senior executive with over 35 years of experience building and developing global businesses in energy, petrochemicals and infrastructure. Mr. Mihaichuk started his career in the oil and gas industry in positions with Texaco Exploration Canada Ltd., Dome Petroleum Limited and Amoco Corporation and its subsidiaries.

From 1996 to 2001, Mr. Mihaichuk worked with TransCanada Pipelines Ltd., and held various positions including Executive Vice-President, President of TransCanada Transmission where he was responsible for the operational and technical aspects for TransCanada in these business lines and President and CEO of TransCanada International where he was responsible for all aspects of business development and operations of investments in over 20 countries. He was the President and CEO of TC Pipelines LP where he was responsible for all business, financial, shareholder and board aspects of the US limited partnership.

After three and a half years as Senior Vice-President, Business Development of Mancal Corporation, Mr. Mihaichuk returned to the oil and gas exploration and development industry with Husky Energy Inc. ("**Husky**"). From April 2005 to 2006, he was the Vice-President, Heavy Oil of Husky where he was responsible for optimizing the value of the heavy oil assets of Husky by increasing both reserves and production and by controlling costs. From 2006 to 2007, Mr. Mihaichuk was the Vice-President, Oil Sands of Husky where he was responsible for developing Husky's oil sands assets.

Mr. Mihaichuk joined Toromont Energy Systems Inc. ("**Toromont**") in 2007 as President and CEO. During his two year tenure at Toromont, he prepared the energy division (which was involved in gas compression and processing fabrication as well as service) for a going-public transaction, and positioned the business to grow through acquisition.

Mr. Mihaichuk holds a Bachelor of Science degree (Honors) in Mechanical Engineering from Queen's University. He has also completed post graduate studies at the University of Calgary, Harvard Business School and Michigan University.

Mr. Mihaichuk is currently the President of GWM Resources Ltd., director of Badger Income Fund, director of Alberta Economic Development Authority, Managing Director of Translang Technologies Ltd., director of Social Sciences Advisory Board for the University of Calgary and director of the Friends of Calgary Philharmonic Orchestra.

Mr. Mihaichuk will devote such time to the Corporation's affairs as is required to fulfill his duties as a director.

Christopher C. Rivett-Carnac, Age 62, Director

Christopher C. Rivett-Carnac is a commercial petroleum geologist with thirty eight years experience in the oil industry. He spent the first ten years of his career with major and large independent oil and gas companies, followed by twenty eight years as an independent petroleum geologist with extensive commercial experience, specializing in conceptualization, initial funding and management of start-up independent oil and gas companies and projects.

He has a proven track record of generating oil and gas plays and projects, securing funding through industry farm-outs, private placements, public companies, reverse take-overs and initial public offerings.

Mr. Rivett-Carnac is currently an Executive Director of Worldwide Petroleum Services (Pte) Limited, a Singapore-based oil and gas company working in partnership with one of the world's largest oil trading houses seeking oil and gas opportunities in Asia.

From 2003 to 2006 he was the Chief Executive Officer and an Executive Director of Serica Resources Limited ("**Serica**"), a TSX-Venture listed oil and gas company, which had discoveries in the North Sea and Asia (Indonesia). Prior to this, was one of the founders and Commercial Director of Petroleum Development Associates ("**PDA**", Serica's predecessor) which negotiated the acquisition and initial financing of North Sea Licenses (P898 and P936) from British Petroleum, the Lematang block South Sumatra, Indonesia from Amerada Hess, and the Asahan PSA and Kambuna TAC from Matrix Oil NL. As Commercial Director he instigated, negotiated and managed the reverse take-over of a Canadian public company by PDA to form Serica.

He has been involved with several internationally listed companies before and after Serica, including as: Executive Director of Tuskar Resources PLC, a company with oil interests in Colombia, U.S.A., Turkey and Ireland; Exploration Director of Arabex Petroleum NL, an Australian public company with oil interests in Colombia and United Arab Emirates; Managing Director of Trident Petroleum NL, an Australian public company with oil interests in Papua New Guinea, Indonesia and Australia; and Non-Executive Director of Tiger Petroleum, a company with oil interests in Thailand.

Mr. Rivett-Carnac holds a Bachelor of Science degree (Honors) in Geology with Math from Reading University, United Kingdom, and a Master of Science degree (with distinction) from Leicester University, United Kingdom. He was a lecturer at Imperial College, London, United Kingdom for the Petroleum Geology Master of Science course in 1976 and 1977.

Mr. Rivett-Carnac will devote such time to the Corporation's affairs as is required to fulfill his duties as a director.

Janet A. Nussbaum, Age 55, General Counsel and Secretary

Janet A. Nussbaum is an attorney who has been practicing law in the State of Texas since 1981. Ms. Nussbaum has acted as General Counsel and Secretary for the Corporation since October 1, 2008, and prior thereto, as general counsel for GFI from February 2007 to October 2008. Ms. Nussbaum has been engaged as legal counsel to a variety of international oil and gas companies since 1988, including twelve years as an in-house international attorney for Amoco/ BP.

Ms. Nussbaum holds a juris doctorate from Vanderbilt University School of Law, where she was a member of the Law Review, and a Bachelor of Arts degree (with distinction) from the University of Virginia.

Ms. Nussbaum will devote the majority of her time and attention to the affairs of the Corporation.

Cease Trade Orders

To the knowledge of management, no director or executive officer of the Corporation is, as of the date of this prospectus, or was, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that was issued (i) while such person was acting in that capacity, or (ii) after such person was acting in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

Bankruptcies

Other than as disclosed below, to the knowledge of management, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities to affect materially the control of the Corporation is, as of the date of this prospectus, or has been, within 10 years before the date hereof, a director or executive officer of any company that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Michael J. Hibberd was an independent director of E-Zone Networks ("**E-Zone**") from 1998 to 2001. He resigned as a director within one year of E-Zone's Chapter 7 filing under Title 11 of the United States Code (Bankruptcy Code). At the time of this filing, E-Zone was a Delaware corporation with no shares listed for trading, but it was a reporting issuer in Alberta. Mr. Hibberd was also an independent director of Challenger Energy Corp. ("**Challenger**") from December 1, 2005 until September 16, 2009. Challenger obtained a creditor protection order under the *Companies' Creditors Arrangement Act* (Canada), on February 27, 2009. On June 19, 2009, Challenger announced that it had entered into an arrangement agreement in respect of the acquisition of Challenger by Canadian Superior Energy Inc. ("**Canadian Superior**"). On September 17, 2009, all of the common shares of Challenger were exchanged for shares of Canadian Superior Energy Inc. and all creditor claims of Challenger were fully honored.

To the knowledge of management, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities to affect materially the control of the Corporation has, within the 10 years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of management, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities to affect materially the control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Prior to the closing of the Offering, the Board of Directors will adopt a set of related-party transaction policies designed to minimize potential conflicts of interest arising from any dealings the Corporation may have with its affiliates and to provide appropriate procedures for the disclosure, approval and resolution of any actual or potential conflicts of interest that may exist from time to time. Such policies will provide, among other things, that all related-party transactions, including any loans between the Corporation and its principal shareholders and its affiliates, will be approved by the Audit Committee of the Board of Directors, after considering all relevant facts and circumstances, including without limitation the commercial reasonableness of the terms, the benefit and perceived benefit, or lack thereof, to the Corporation, opportunity costs of alternative transactions, the materiality and character of the related party's direct or indirect interest, and the actual or apparent conflict of interest of the related party, and after determining that the transaction is in, or not inconsistent with, the Corporation's and its shareholders' best interests.

Douglas M. Stuve, who is Assistant Secretary of the Corporation, is a partner with the law firm Burstall Winger LLP. As Canadian legal counsel to the Corporation, Burstall Winger LLP is paid legal fees for its services provided to the Corporation in the ordinary course of business.

STATEMENT OF EXECUTIVE COMPENSATION

For the purpose of this section, a "CEO" or "CFO" means each individual who served as Chief Executive Officer or Chief Financial Officer, respectively, of the Corporation or acted in a similar capacity during the most recently completed financial year. A "Named Executive Officer" means each CEO; each CFO; each of the Corporation's three (3) most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year of the Corporation and whose total salary and bonus exceeds CDN$150,000; and any additional individuals (other than the CEO and CFO) for whom disclosure would have been provided except that the individual was not serving as an officer of the Corporation at the end of the most recently completed financial year end.

Compensation Discussion and Analysis

In assessing the compensation of its executive officers, the Corporation does not have in place any formal objectives, criteria or analysis; instead, it relies mainly on the discussion and analysis of the Board of Directors.

The Corporation's executive compensation program has three principal components: base salary, incentive bonus plan and stock options.

Base salaries for all employees of the Corporation are established for each position through comparative salary surveys of similar type and size corporations. Individual and corporate performance are also taken into account. It is anticipated that the management of the Corporation shall continue to be compensated in accordance with industry standards.

Incentive bonuses, in the form of cash payments, are designed to add a variable component of compensation based on corporate and individual performance for executive officers and employees. Bonuses were paid to executive officers and employees during the financial year ended December 31, 2009 as consideration for services provided in the previous financial year.

Option Based Awards

It is intended by the Corporation for stock options to be the principal form of long-term variable compensation incentive. The amount of options granted are related to individual performance and are used as incentives to attract, retain and motivate a highly qualified staff. Outstanding options are considered in granting new options.

Implementation of a new stock option plan and amendments to the existing Option Plan are the responsibility of the Compensation Committee of the Board of Directors.

Summary Compensation Table

The following table sets forth information concerning the total compensation paid by the Corporation to its Named Executive Officers for the two most recently completed financial years.

Name and Principal Position	Year Ended Dec. 31	Salary[(1)] (US$)	Share-Based Awards (US$)	Option-Based Awards (US$)	Non-equity Incentive Plan Compensation[(2)] (US$)		Pension Value[(4)] (US$)	All Other Compensation[(5)] (US$)	Total Compensation[(6)] (US$)
					Annual Incentive Plan[(3)]	Long-term Incentive Plan			
Alex T. Warmath Vice President and Chief Executive Officer	2008	142,252	Nil	Nil	Nil	Nil	2,907	Nil	145,159
	2009	200,000	Nil	Nil	30,000	Nil	7,350	Nil	237,350
Gerald F. Clark Chief Financial Officer [(7)]	2008	126,000	Nil	Nil	Nil	Nil	3,530	Nil	129,530
	2009	150,000	Nil	Nil	Nil	Nil	5,066	Nil	155,066
Richard E. MacDougal President	2008	141,922	Nil	Nil	Nil	Nil	2,900	Nil	144,822
	2009	200,000	Nil	Nil	30,000	Nil	7,350	Nil	237,350
John W. Harkins Vice President	2009	200,000	Nil	Nil	30,000	Nil	7,120	Nil	237,120
A. Wayne Curzadd Vice President and Comptroller	2009	144,000	Nil	Nil	25,000	Nil	5,070	Nil	174,070
Glenn F. Miller Vice President - Operations [(8)]	2008	176,625	Nil	Nil	Nil	Nil	Nil	Nil	176,625
	2009	218,750	Nil	Nil	Nil	Nil	Nil	Nil	218,750
Janet A. Nussbaum Secretary and General Counsel[(8)]	2008	157,959	Nil	Nil	Nil	Nil	Nil	Nil	157,959
	2009	211,750	Nil	Nil	Nil	Nil	Nil	Nil	211,750

Notes:

(1) Includes the dollar value of cash and non-cash base salary earned by the Named Executive Officers during the financial year.
(2) Includes dollar value of all amounts earned for services performed during the financial year that are related to awards under non-equity incentive plans and all earnings on any such outstanding awards.
(3) Includes bonuses and discretionary amounts paid to Named Executive Officer during the financial year.
(4) Includes all compensation relating to defined benefit or defined contribution plans. These amounts consist of contributions by the Corporation to the 401K plan of the executive in the United States.
(5) Unless otherwise set forth above, the aggregate amount of all perquisites and other personal benefits, securities or property was less than the lesser of CDN$50,000 and 10% of the total annual salary of the Named Executive Officer for each financial year.
(6) Includes the dollar value of total compensation for the applicable financial year.

(7) Gerald F. Clark served as Chief Financial Officer from May 1, 2008 up to his resignation in June 2009.
(8) The positions of Vice-President, Operations, General Counsel and Secretary are performed by non-employee consultants that bill at an hourly or daily rate.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

No option-based or share-based awards were granted to Named Executive Officers in the financial year ended December 31, 2009.

The Compensation Committee of the Board of Directors has recommended the approval of the grant of the Options. See "*Options and Warrants to Purchase Securities*".

Incentive Plan Awards – Value Vested or Earned during the Year

There were no share-based awards, option-based awards or non-equity incentive plan compensation paid to Named Executive Officers outstanding during the financial year ended December 31, 2009.

Pension Plan Benefits

The Corporation does not have a pension plan that provides for payments or benefits at, following, or in connection with retirement.

The Corporation also does not have a defined contribution plan. The Corporation does contribute an amount equal to 3% of the employee's salary to the employee's 401K plan in the United States.

Termination and Change of Control Benefits

The Corporation has entered into employment agreements dated effective April 1, 2010 with each of John W. Harkins, Richard E. MacDougal, Alex T. Warmath, and Mark N. Witt effective March 1, 2010 (collectively, the "**Employment Agreements**").

Pursuant to the Employment Agreements, Messrs. Harkins, MacDougal, Warmath and Witt are employed on a full time basis with the Corporation for annual salaries of US$200,000, US$200,000, US$200,000 and US$175,200, respectively. The Employment Agreements of Messrs. Harkins, MacDougal and Warmath provide for the payment of annual bonuses determined at the discretion of the Board of Directors, and Mr. Witt's Employment Agreement provides for the payment of an annual discretionary bonus equal to 50% of Mr. Witt's base salary, the payment of which shall be based on agreed to performance criteria. Mr. Witt's Employment Agreement also provides for the issuance of 150,000 Options with an exercise price equal to the Offering Price, to be granted upon the closing of the Offering. The Employment Agreements all contemplate the participation by the executives in all benefit and pension contribution plans as may be adopted by the Corporation from time to time.

The Employment Agreements provide for severance payments, upon termination or upon the occurrence of a change of control, equal to 12 months of the then annual base salary of the applicable executive.

Compensation Of Directors

Director Compensation

No compensation was paid to directors of the Corporation during its most recently completed financial year.

Upon completion of the Offering, it is anticipated that all directors will receive compensation of $1,000 per attended board meeting, either via phone or in person, and be reimbursed for their reasonable expenses by the Corporation. The Board may award additional remuneration to any director undertaking extraordinary services on behalf of the Corporation other than services ordinarily required of a director. It is anticipated that directors who are actively involved in the operations of the Corporation will be compensated in accordance with industry standards.

Outstanding Share-Based Awards and Option-Based Awards

No option-based or share-based awards were granted to the directors for the financial year ended December 31, 2009.

The Compensation Committee of the Board of Directors has recommended the approval of the grant of the Options. See "*Options and Warrants to Purchase Securities*".

Incentive Plan Awards – Value Vested or Earned during the Year

There were no share-based awards or option-based awards outstanding and no non-equity incentive plan compensation paid to directors during the financial year ended December 31, 2009.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of the Corporation, or any of their associates, or person who acted in such capacity in the last financial year is, or has been, at any time since the beginning of the most recently completed financial year of the Corporation, indebted to the Corporation nor is, or at any time since the incorporation of the Corporation has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

Audit Committee Disclosure

Audit Committee Charter

The Audit Committee has been structured to comply with the requirements of NI 52-110 as it relates to TSXV listed issuers. The Board has determined that the Audit Committee members have the appropriate level of financial understanding and industry specific knowledge to be able to perform the duties of the position and in particular are financially literate as defined in NI 52-110. A copy of the Audit Committee Charter is attached as Schedule "D" to this prospectus.

The Audit Committee periodically assesses the adequacy of procedures for the public disclosure of financial information and review, on behalf of the Board, and reports to the Board the results of its review and its recommendations regarding all material matters of a financial reporting and audit nature, including, but not limited to:

- oversight of the nature and scope of the annual audit;
- oversight of management's reporting on internal accounting standards and practices; and
- review of financial information, accounting systems and procedures, financial reporting and financial statements.

The primary objectives of the Audit Committee are as follows:

- assist directors in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of the Corporation and related matters;
- provide better communication between directors and external auditors;
- enhance the external auditor's independence;
- increase the credibility and objectivity of financial reports; and
- strengthen the role of the outside directors by facilitating in-depth discussions between directors on the Audit Committee, management and external auditors.

The Audit Committee has established procedures for (i) receipt, retention and treatment of complaints received by the Corporation regarding any accounting, internal accounting controls or auditing matters and (ii) the confidential anonymous submission of concerns by employees regarding questionable accounting or auditing matters. The Board is kept informed of the Audit Committee's activities by a report delivered at each regular meeting of the Board of Directors.

The Audit Committee shall recommend the appointment and terms of engagement of the external auditor annually and reviews and evaluates the external auditor. The external auditor reports directly to the Audit Committee.

Composition of the Audit Committee

The Audit Committee is comprised of three individuals, all of whom are "financially literate" and all of whom are considered to be "independent" within the meanings given to such terms in NI 52-110. The current members of the Audit Committee are Donald R. Ingram (Chair), Michael J. Hibberd and Garry P. Mihaichuk.

Relevant Education and Experience

The following relevant education and experience of the current and proposed members of the Audit Committee have been used in assessing their financial literacy:

Donald R. Ingram

Mr. Ingram has over 28 years of experience in the oil and gas industry. He is also a Certified Management Accountant, and was also made a Fellow of the Society of Management Accountants of Canada in 1999. Mr. Ingram has substantial experience in dealing with all aspects of financial statements and is currently a Director, Chairman of the Board and a member of the audit committee of SilverBirch Energy Corporation, a TSXV company, and a Director and member of the audit committee of NAL Oil & Gas Trust, a public company listed on the TSX. Mr. Ingram is also a Director of the Calgary Airport Authority.

Michael J. Hibberd, B.A., M.B.A. and LL.B

Mr. Hibberd is Chairman and Chief Executive Officer of MJH Services Inc., a corporate finance advisory business established in 1995. Mr. Hibberd is Chairman of Canacol Energy Ltd., Heritage Oil Plc and Heritage Oil Corporation; Co-Chairman of Sunshine Oilsands Ltd.; current Director of AltaCanada Energy Corp., PanOrient Energy Corp. and Sagres Energy Inc; and former Director of Avalite Inc., Challenger Energy Corp., Deer Creek Energy, Iteration Energy Ltd., Rally Energy Corp. and Zapata Energy Corporation. Mr. Hibberd spent 12 years in corporate finance with ScotiaMcLeod and held the positions of Senior Vice-President, Corporate Finance and Director. Mr. Hibberd is on the audit committees of all companies in which he currently serves as a Director.

Garry P. Mihaichuk

Mr. Mihaichuk was employed by Toromont Energy Systems Inc., Husky Energy Inc., Mancal Corporation, TransCanada Pipelines Limited, Amoco Corporation, Dome Petroleum, General Crude Oil and Texaco Exploration Canada Ltd. for over 35 years in increasingly senior roles and was responsible for a variety of senior management (including President and CEO), general management, asset management, engineering and financial advisory activities. Mr. Mihaichuk has a Bachelor of Science in Mechanical Engineering from Queen's University and completed the Program for Management Development from Harvard University. Mr. Mihaichuk is also currently a member of the audit committee of Badger Income Fund, a public company listed on TSX.

Audit Committee Oversight

At no time was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval Policies and Procedures

Any proposed audit and permitted non-audit services (as identified by the Audit Committee at the time the annual audit engagement is approved) to be provided by the external auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee. The Corporation has not adopted specific policies and procedures for the engagement of non-audit services. The Audit Committee will review the engagement of non-audit services as may be required.

The Chief Financial Officer shall act as the primary contact to receive and assess any proposed engagements from the external auditor. Following receipt and initial review for eligibility by the primary contact, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted. In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.

External Auditor Services Fees (By Category)

No external auditor fees were paid by the Corporation during the two most recently completed financial years.

Reliance on Certain Exemptions

The Corporation has not relied on any exemptions from the requirements of Section 2.4, Part 3 or Part 8 of NI 52-110.

Disclosure of Corporate Governance Practices

General

The Board of Directors believes that good corporate governance improves corporate performance and benefits all shareholders. The CSA have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Corporation. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), which prescribes certain disclosure by the Corporation of its corporate governance practices. This disclosure is presented below.

Mandate of the Board

The Board has responsibility for the stewardship of the Corporation, which is detailed in its "Board of Directors Responsibilities". This mandate is available on SEDAR at www.sedar.com. In carrying out this mandate, the Board meets regularly and a broad range of matters are discussed and reviewed for approval. These matters include selecting senior management, reviewing compensation, establishing standards of business conduct and ethical behavior, evaluating senior management performance, succession planning, overseeing strategic management and planning, overseeing risk management, affirming a control environment, overseeing capital management and overseeing the independent inspection/audit group.

The Board strives to ensure that actions taken by the Corporation correspond closely with the objectives of its shareholders. The Board will meet at least once annually to review in depth the Corporation's strategic plan and it reviews the Corporation's resources which are required to carry out the Corporation's growth strategy and to achieve its objectives.

Composition of the Board of Directors

The Board is comprised of seven directors, four of whom, namely, Michael J. Hibberd, Donald R. Ingram, Garry P. Mihaichuk and Christopher C. Rivett-Carnac, are considered to be independent for the purposes of NI 58-101, so that a majority of the directors are independent. Michael J. Hibberd is the Chairman of the Board. Messrs. Harkins, Warmath and MacDougal are not considered independent because they are also executive officers of the

Corporation. Under NI 58-101, a director is independent if he or she has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. In addition, certain individuals are deemed, for the purposes of NI 58-101, to have material relationships with the Corporation, including any individual who is, or has recently been, an employee or executive officer of the Corporation, and an individual whose immediate family member is, or has recently been, an executive officer of the Corporation.

The size of the Corporation is such that all of its operations are conducted by a small management team. The Board considers that management is effectively supervised by the independent directors on an informal basis because the independent directors have regular and full access to management. The independent directors are also able to meet at any time they consider necessary without any members of management including the non-independent directors being present.

Further supervision is performed through the Audit Committee, which is composed entirely of independent directors.

Directorships

Certain of the Corporation's directors are also currently directors of other reporting issuers, as follows:

Director	Other Reporting Issuers
Michael J. Hibberd	AltaCanada Energy Corp. Canacol Energy Ltd. Heritage Oil Corporation / Heritage Oil PLC Pan Orient Energy Corp. Sagres Energy Inc.
John W. Harkins	Strategic Oil & Gas Ltd.
Donald R. Ingram	SilverBirch Energy Corporation NAL Oil & Gas Trust
Garry P. Mihaichuk	Badger Income Fund

Orientation and Continuing Education of Board Members

New members of the Board receive an orientation package which includes company policies and public disclosure filings by the Corporation. Board meetings are held at the Corporation's facilities and are combined with presentations by the Corporation's management and employees to give the directors additional insight into the Corporation's business. In addition, management of the Corporation makes itself available for discussion with all members of the Board.

Measures to Encourage Ethical Business Conduct

The Board intends to adopt a written code of business conduct and ethics that encourages and promotes a culture of ethical business conduct. In addition, the Board intends to implement a whistle blower policy whereby employees will be encouraged to report unethical behavior directly to Board members.

Nomination of Board Members

The Board is responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of the Corporation's shareholders based on the recommendations of the Corporate Governance and Nominating Committee. The Board shall identify and review possible candidates for Board membership consistent with criteria approved by the Board, and annually recommend qualified candidates for a slate of nominees to be proposed for election to the Board at the annual meeting of the Corporation's shareholders. The Board shall consider the appropriate size of the Board with a view to facilitating effective decision making. In the event of a vacancy on the Board between annual meetings of the Corporation's shareholders, the Board may identify, review and recommend qualified candidates for Board membership to the Board for consideration to fill such vacancies, if the Board determines that such vacancies will be filled.

When formulating these recommendations, the Board shall seek and consider advice and recommendations from management, and may seek or consider advice and recommendations from consultants, outside counsel, accountants or other advisors as it or the Board may deem appropriate.

Determination of Compensation of Directors and Chief Executive Officer

The Compensation Committee is responsible for establishing an overall compensation policy for the Corporation. The compensation of the directors is determined by the Board as a whole on the recommendation of the Compensation Committee, and is based on industry-specific compensation information of comparably-sized companies.

The compensation of each of the Chief Executive Officer, Chief Operating Officer and the Chief Technical Officer of the Corporation is determined by the Board as a whole after receiving the recommendation of the Compensation Committee. The level of their compensation will be determined by setting their base salaries at approximately the median for public companies of comparable size and complexity. The annual incentive and option entitlements are determined by the Board, upon the recommendation of the Compensation Committee, based on the Corporation's overall performance and other relevant factors.

Other Board Committees

The Board has formally appointed four standing committees: the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee and the Reserves Committee.

Compensation Committee

The Compensation Committee is currently comprised of Messrs. Richard E. MacDougal, Garry P. Mihaichuk and Donald R. Ingram, and Mr. Mihaichuk is the chair of the Compensation Committee. The Compensation Committee shall assist the Board in its oversight role with respect to: (i) the Corporation's global human resources strategy, policies and programs; and (ii) all matters relating to proper utilization of human resources within the Corporation, with special focus on management succession, development and compensation. The Compensation Committee shall also review and approve periodically all compensation arrangements with the senior executives of the Corporation; review succession and leadership plans and make appropriate recommendations to the Board periodically regarding the remuneration of the Corporation's senior officers; and periodically review the assessment of the performance of senior officers as provided to the Compensation Committee by the Chief Executive Officer.

Corporate Governance and Nominating Committee

The corporate governance committee (the "**Corporate Governance and Nominating Committee**") is currently comprised of Messrs. John W. Harkins, Christopher C. Rivett-Carnac, Michael J. Hibberd and Garry P. Mihaichuk, and Mr. Mihaichuk is the Chair of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee's mandate includes: (i) identifying individuals qualified and suitable to become Board members and making recommendations to the Board in that regard; and (ii) assisting the Board in its oversight role with respect to the development of the Corporation's corporate governance policies, practices and processes, the effectiveness of the Board and its committees and the contributions of individual directors. These responsibilities include reporting and making recommendations to the board of directors for their consideration and approval. In addition, the Corporate Governance and Nominating Committee will consider developing formal position descriptions for the Chairman and the Chief Executive Officer.

Reserves Committee

The reserves committee (the "**Reserves Committee**"), which is currently comprised of Messrs. Alex T. Warmath, Christopher C. Rivett-Carnac and Garry P. Mihaichuk, is responsible for reviewing and approving the annual independent evaluation of the Corporation's reserves. Mr. Rivett-Carnac is the Chair of the Reserves Committee. The Reserves Committee's general mandate is to oversee and monitor the Corporation's process for calculating the reserves and the procedures for compliance with applicable legislation and conformity with industry standards and disclosure of information. It reviews, reports and, when appropriate, makes recommendations to the Board on the Corporation's policies and procedures related to the Corporation's reserve estimates.

Assessment of Directors, the Board and Board Committees

The Board does not believe that formal assessments would be useful at this stage of the Corporation's development. The Board conducts informal annual assessments of its effectiveness, the individual directors and each of its committees. The Chairman of the Board is charged with ensuring that the Board carries out its responsibilities and that these responsibilities are clearly understood by all of its members. The Chairman also ensures that the Board can function independent of management, that the necessary resources and procedures are available or in place to support its responsibilities and that the appropriate functions are delegated to the relevant committees. The Chairman is responsible for overseeing and setting the Board agenda, the quality of information sent to directors and the in camera sessions held without management. The Chairman is also responsible for ensuring a process is in place for an annual performance review of the Chief Executive Officer, which is conducted by the Board, and for senior management succession planning matters.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents offer for sale, on a commercially reasonable efforts basis, the Offering of 4,235,000 Common Shares (4,870,250 Common Shares if the Over-Allotment Option is exercised in full), at a price of CDN$8.50 per Common Share, for gross proceeds of CDN$35,997,500. For the Canadian Offering, the Common Shares will be offered for purchase in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador, in the International Private Placement and the U.S. Private Placement. There is no minimum amount of Common Shares to be purchased under the Offering. The obligations of the Agents under the Agency Agreement are conditional and may be terminated in certain stated circumstances and upon the occurrence of certain stated events. The Offering Price was determined through negotiation between the Corporation and the Agents. The issuance of the Common Shares is conditional on customary conditions to closing, including listing of the Common Shares on TSXV, which conditions may be waived by the Agents. The Agents are not obligated to purchase any Common Shares that are not sold pursuant to the Offering.

Management of the Corporation and the Agents estimate that, of the total gross proceeds of the Offering, CDN$27,997,500 will be raised pursuant to the Canadian Offering and CDN$8,000,000 will be raised pursuant to the Concurrent Private Placements. However, there can be no assurances of the actual allocation of the gross proceeds between the Canadian Offering and the Concurrent Private Placements until the Offering is completed. The securities of the Corporation issued pursuant to the Concurrent Private Placements are qualified by this prospectus.

Pursuant to the Agency Agreement, the Agents will receive a commission equal to 6% of the gross proceeds from the sale of Common Shares pursuant to the Offering (including the gross proceeds of the sale of any Common Shares pursuant to the exercise of the Over-Allotment Option). The Agents will also be reimbursed for their reasonable fees and expenses including the reasonable legal fees and disbursement of legal counsel to the Agents.

The Corporation has granted the Agents the Over-Allotment Option to acquire 15% of the total number of Common Shares sold pursuant to this Offering at the Offering Price for a period expiring 30 days following the Closing Date to cover the number of Common Shares over-allotted, if any, and for market stabilization purposes. This prospectus also qualifies for distribution of the Over-Allotment Option and the Common Shares issuable upon the exercise of the Over-Allotment Option. To the extent that the Over-Allotment Option is exercised, the additional Common Shares will be purchased by the Agents at the Offering Price hereunder and the Agents will be entitled to the Agents' Commission in respect of the Common Shares issued pursuant to such exercise. A purchaser who acquires Common Shares forming part of the Agents' over-allocation position acquires those Common Shares under this prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Pursuant to the Agency Agreement, the Corporation has agreed to indemnify the Agents and their respective affiliates, directors, officers, employees and agents against certain liabilities, including, without limitation, certain civil liabilities under applicable securities legislation, or to contribute to any payments the Agents may be required to make in respect thereof. In addition, the Corporation has provided certain representations and warranties to the Agents.

Subscriptions for Common Shares will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing is conditional upon all conditions of closing specified in the Agency Agreement having been satisfied or waived. The completion of the sale of Common Shares pursuant to the Offering will take place on the Closing Date or such day or days as the Agents and the Corporation may mutually agreed upon. It is expected that the Closing will occur on or about November 16, 2010 or such date as may be agreed to by the Corporation and the Agents, but in any event no later than 90 days following the issuance of a final receipt by the applicable securities regulatory authorities in connection with the filing of this prospectus. The Closing of the Offering is conditional upon receipt of subscription funds for 4,235,000 Common Shares. The Agents, pending completion of the Offering, will hold in trust all subscription funds received pursuant to the provisions of the Agency Agreement. In the event that subscription funds for 4,235,000 Common Shares are not received and accepted by the date that is 90 days following the issuance of a final receipt by the applicable securities regulatory authorities in connection with the filing of this prospectus, the subscription funds received by the Agents in connection with the Offering will be returned to subscribers without interest or deduction unless such subscribers have otherwise instructed the Agents. Certificates representing the Common Shares that are issued in Canada will be issued in registered form to CDS or its nominee and will be deposited with CDS on the Closing Date. Purchasers will receive only a customer confirmation from the registered dealer through which Common Shares are purchased.

Pursuant to policy statements of certain Canadian provincial securities commissions and the Universal Market Integrity Rules, the Agents may not, throughout the period of distribution, bid for or purchase Common Shares for its own account or for accounts over which it exercises control or direction. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include bids or purchases permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by Market Regulation Services Inc. relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with the Offering and subject to applicable securities laws, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which may otherwise prevail in the open market. These stabilizing transactions may include making short sales of the Common Shares, which involve the sale by the Agents of a greater number of Common Shares than are being sold in the Offering.

These activities may have the effect of raising or maintaining the market price of the Common Shares or preventing or retarding a decline in the market price of the Common Shares, and, as a result, the price of the Common Shares may be higher than the price that otherwise might exist in the open market. Such transactions, if commenced, may be discontinued at any time. The Agents may carry out these transactions on TSXV, in the over the counter market or otherwise.

Listing

There is currently no market through which the Common Shares may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors". The TSXV has conditionally approved the listing of the Common Shares. Listing of the Common Shares is subject to the Corporation fulfilling all the listing requirements of TSXV.

As of the date hereof, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a United States marketplace, or a marketplace outside of Canada and the United States of America, other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc. The Corporation has no current intention to apply to list the Common Shares on any stock exchange or market, other than TSXV.

United States Securities Act and Regulation S

The Corporation is incorporated under the laws of the State of Delaware and is not a reporting company with the United States Securities and Exchange Commission ("**SEC**") under the United States Securities Exchange Act of 1934, as amended. Offers and sales of securities of such issuers that are made outside the U.S. and that are not registered under the United States Securities Act are subject to restrictions imposed by the United States Securities Act and regulations thereunder. The following discussion is not intended to be, nor should it be construed to be, legal advice to any particular person who acquires Common Shares distributed under this prospectus. Each person acquiring Common Shares should consult with its legal counsel regarding the application of such laws.

The United States Securities Act governs offers and sales of securities of U.S. companies such as the Corporation and, generally speaking, requires registration with the SEC of offers and sales of securities by U.S. issuers such as the Corporation, unless an exemption from such registration is available under U.S. securities law. The United States Securities Act contains no geographical limitations in respect of this registration requirement. The SEC has, however, promulgated Regulation S under the United States Securities Act to exempt from registration any securities offerings and sales that occur outside the United States and to persons not deemed to be U.S. Persons (as such term is defined in Regulation S).

The Common Shares issued in respect of the Offering have not been and will not be registered under the United States Securities Act. Such Common Shares are being issued in reliance on an exemption from registration contained in Regulation S.

Due to the restrictions imposed by Regulation S, the Common Shares offered in the Offering may not be, and are not being offered, sold or delivered in the U.S. or to, or for the account or benefit of, any U.S. Person and may not be acquired by any U.S. Person in any resale transactions during the Distribution Compliance Period (defined below). In addition, hedging transactions with regard to the Common Shares may only be conducted in accordance with the United States Securities Act.

The Common Shares may be resold only: (a) outside the United States to non-U.S. Persons pursuant to the exemption from registration provided by Regulation S; (b) pursuant to another exemption from registration under the United States Securities Act; or (c) pursuant to an effective registration statement under the U.S. Securities Act.

A resale of the Common Shares will generally comply with Regulation S under Rule 904 if:

- the offer relating to such resale is not made to a person in the United States or a U.S. Person;
- nor has any of the seller, any affiliate of the seller, or any other person acting on their behalf engaged in "directed selling efforts" (as such term is defined in Rule 902(c) under Regulation S) in the United States; and
- either: (A) at the time the buy order is originated, the buyer is located outside the United States and not a U.S. Person or the seller and any person acting on its behalf reasonably believe that the buyer is located outside the United States; or (B) the resale transaction is executed in, on or through the facilities of a "designated offshore securities market" as specified in Rule 902 under Regulation S, such as the TSXV, and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States or a U.S. person.

The provisions of Regulation S impose additional restrictions on resales by the Corporation, distributors and their respective affiliates, as well as on dealers and persons receiving a selling commission, fee or other remuneration with respect to such resales. In addition, under Regulation S, the Common Shares are deemed to be "restricted securities" as defined in Rule 144 under the United States Securities Act and continue to be deemed to be "restricted securities", notwithstanding that they may be acquired in a resale transaction made pursuant to Rule 901 or 904 of Regulation S. As a result, persons acquiring Common Shares pursuant to Regulation S may not assume the availability of the exemption set forth in Section 4(1) of the United States Securities Act with respect to resales of Common Shares in the United States or to U.S. Persons. Holders of Common Shares should consult with their counsel as to the impact of the characterization of the Common Shares as "restricted securities" for purposes of Rule 144 and as to the availability of the exemption set forth in Section 4(1) of the United States Securities Act and Rule 144 thereunder.

The above restrictions preclude purchasers of Common Shares offered under the Offering from reselling the Common Shares in the United States or to a U.S. Person for the foreseeable future, except in very limited circumstances, until the expiration of a one-year restricted period that begins with the closing of this Offering (the

"**Distribution Compliance Period**"). Thus, the market for Common Shares is likely to be limited to the TSXV, and if the market outside of the United States does not develop or is illiquid, purchasers of the Common Shares may be unable to access the market within the U.S. for resale of the Common Shares due to the restrictions on the transfer of the Common Shares that are imposed by Regulation S and Rule 144. In addition, until one year after the closing of the distribution of Common Shares pursuant to this prospectus, an offer or sale of the Common Shares within the United States or to any U.S. Person by any dealer (whether or not participating in the distribution) may violate the registration requirements of the United States Securities Act.

Regulation S and the related SEC guidance require that the purchasers of Common Shares pursuant to the Canadian Offering (the "**Canadian Shares**") have to make representations about their status as being outside the United States and not a U.S. Person ("**Non-U.S. Status**"). Regulation S and the related SEC guidance is based on certain assumptions and also requires that the Corporation, the TSXV, the Agents and the TSXV Participating Organizations (as defined below) to take certain actions in order to comply with the requirements of Regulation S and the related SEC guidance.

Purchaser Representations Regarding Non-U.S. Status

Each purchaser of Canadian Shares will be deemed to have represented and agreed as follows:

- The purchaser is not in the United States, a U.S. Person and is not acting for the account or benefit of a person in the United States or a U.S. Person. A "**U.S. Person**" means, among other things and subject to certain exceptions: (i) any natural person resident in the U.S., (ii) any partnership, corporation or other entity organized or incorporated in the U.S., (iii) any trust of which any trustee is a U.S. Person, (iv) any agency or branch of a foreign entity located in the U.S., (v) any account held by a dealer or other fiduciary that either is organized, incorporated or resident in the U.S. or holds for the benefit or account of a U.S. Person, or (vi) any partnership or corporation that is organized or incorporated in a foreign jurisdiction by a U.S. Person principally for the purpose of investing in securities not registered under the United States Securities Act;
- The purchaser understands and agrees that, if in the future it decides to resell, pledge or otherwise transfer any Canadian Shares, it will do so only: (i) outside the U.S. in an offshore transaction in compliance with Rule 903 or Rule 904 of Regulation S, (ii) pursuant to an effective registration statement under the United States Securities Act, or (iii) pursuant to an available exemption from the registration requirements of the United States Securities Act, and in each case in accordance with all applicable securities laws;
- The purchaser agrees not to engage in hedging transactions with regard to Canadian Shares unless in compliance with the United States Securities Act;
- The purchaser acknowledges that the Corporation and the Agents and others will rely upon the truth and accuracy of these acknowledgments, representations and agreements and agrees that if any such acknowledgements, representations or warranties deemed to have been made by virtue of its purchase of Canadian Shares are no longer accurate, it shall promptly notify the Corporation and the Agents; and
- The purchaser acknowledges that any certificates representing the Canadian Shares will bear a restrictive legend (as described below) unless the Corporation determines otherwise in compliance with applicable law.

Assuming the Common Shares are approved for listing on the TSXV, the trading symbol of the Corporation will include the suffix ".S". The ".S" suffix is intended to indicate that the Canadian Shares are subject to restrictions under Regulation S under the United States Securities Act.

Requirements of the Agents and TSXV Participating Organizations

Regulation S and the related SEC guidance require that the Agents and brokers or dealers that are members of TSXV ("**TSXV Participating Organizations**") take certain actions in order to comply with the provisions of Regulation S and the related SEC guidance:

- Whether in the Canadian Offering or in secondary trading, neither the Agents nor any TSXV Participating Organization may execute a transaction during the Distribution Compliance Period on the relevant stock exchange in the Canadian Shares if that broker or dealer knows that the purchaser is in the United States, a U.S. Person or is acting for the account or benefit of a person in the United States or a U.S. Person;

- In connection with any purchase of Canadian Shares, whether in the Canadian Offering or in secondary trading, the Agents and any TSXV Participating Organizations must make reasonable efforts during the Distribution Compliance Period to ascertain whether a purchaser is in the United States, a U.S. Person or is acting for the account or benefit of a person in the United States or a U.S. Person, and implement measures designed to assure reasonable compliance with this requirement;
- The confirmation sent to each purchaser of Canadian Shares in either the Canadian Offering or in the secondary market trading during the Distribution Compliance Period will include a notice that the Canadian Shares are subject to the restrictions of Regulation S; and
- Any information provided during the Distribution Compliance Period by the Agents to publishers of publicly available databases, such as Bloomberg and Reuters, about the terms of the issuance of the Canadian Shares must include a statement that the Canadian Shares have not been registered under the United States Securities Act and are subject to restrictions under Regulation S.

Requirements of the Corporation

Regulation S and the SEC guidance also require that the Corporation, as the issuer of the Canadian Shares, take certain actions in order to comply with the provisions of Regulation S and the SEC guidance:

- the Corporation undertakes to provide notification of the Regulation S status of its Canadian Shares in stockholder communications such as annual reports, periodic interim reports and notices of shareholder meeting;
- any certificated Canadian Shares issued to purchasers of Canadian Shares in the Canadian Offering or for certificates required by any person for certificated Canadian Shares before the expiration of the Distribution Compliance Period will bear the restrictive legend required by Rule 903(b)(3)(iii)(B)(3) of Regulation S and thereafter the certificated Canadian Shares will bear a restrictive legend to the extent consistent with Rule 144 of the General Rules under the United States Securities Act (the Corporation undertakes to do this). Accordingly, any Canadian Share certificates will bear the following legend:

  > "The securities represented by this certificate have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold, pledged or otherwise transferred except: (1) in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act, (2) pursuant to an effective registration statement under the Securities Act, or (3) pursuant to an available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws. Hedging transactions involving the common stock of the Company may not be conducted unless in compliance with the Securities Act.";

- No Canadian Shares bearing the legend required by Rule 903(b)(3)(iii)(B)(3) may be transferred by the Corporation's share registrar without a favorable opinion of counsel or the assurance that the transfer complies fully with the United States Securities Act;
- The Corporation must agree by contract that it will refuse to register any transfer of the Canadian Shares not made: (i) in accordance with the provisions of Regulation S (Rule 901 through Rule 905, as well as the preliminary notes), (ii) pursuant to registration under the United States Securities Act, or (iii) pursuant to an available exemption from registration; and
- During the Distribution Compliance Period, the Corporation undertakes that any information provided by the Corporation to publishers of publicly available databases, such as Bloomberg and Reuters, about the term of the issuance of the Canadian Shares must include a statement that the Canadian Shares have not been registered under the United States Securities Act and are subject to restrictions under Regulation S.

Corporate Structure

The Board of Directors of the Corporation has authorized management to review, consider and, if deemed appropriate, implement, any structuring alternatives available to the Corporation to eliminate or minimize the application of Regulation S under the United States Securities Act and the resale restrictions contained therein including, without limitation, continuing the Corporation into a jurisdiction outside the United States. There is no guarantee that any such structuring alternatives will be implemented and, if not, the Corporation will continue to be subject to the restrictions summarized above. The implementation of these alternatives will likely require the approval of the majority of the holders of the Corporation's common stock.

Concurrent Private Placements

International Private Placement

As part of the Offering and concurrently with the Canadian Offering and the U.S. Private Placement, the Corporation will be making an offer of Common Shares outside of the U.S. and Canada to, or for the benefit or account of, persons not constituting U.S. Persons at the Offering Price (the "**International Private Placement**"). The Common Shares to be issued in the International Private Placement (the "**International Shares**") will be offered and sold in reliance on an exemption from registration provided by Regulation S under the United States Securities Act. The closing of the International Private Placement is contingent on the closing of the Canadian Offering. The purchasers of International Shares will enter into subscription agreements with the Corporation that contain many of the same representations, acknowledgements, commitments, transfer restrictions and understandings described above in "*United States Securities Act and Regulation S*".

U.S. Private Placement

As part of the Offering and concurrently with the Canadian Offering and the International Private Placement, the Corporation will be making an offer of Common Shares within the United States to certain U.S. persons at the Offering Price(the "**U.S. Private Placement**"). The Common Shares to be issued in the U.S. Private Placement (the "**U.S. Shares**") will be offered and sold in reliance on an exemption from registration provided by Regulation D under the United States Securities Act. The closing of the U.S. Private Placement is contingent on the closing of the Canadian Offering. The purchasers of U.S. Shares will enter into subscription agreements with the Corporation that contain customary representations, warranties, acknowledgements, commitments, transfer restrictions and understandings.

Offer and Sales in the United Kingdom

This prospectus is being and may be distributed to and directed at persons in or into the United Kingdom but only to certain to persons who are "qualified investors" within the meaning of Section 86(7) of the FSMA who are acting as principal (or in circumstances where Section 86(2) of FSMA applies) and who also fall within one of the categories of persons referred to in Article 19 (Investment professionals) or Article 49 (High net worth companies, unincorporated associations, etc.) in the Financial Promotion Order (all such persons together being referred to as "relevant persons"). The securities being offered hereunder are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons in transactions thereby permitting the marketing and offering of the Units and the distribution of this prospectus without (i) breach of Section 21 of FSMA, (ii) the need for a prospectus to have been approved by the FSA under Section 87A of FSMA, (iii) the need for a prospectus to have been filed with the FSA pursuant to the United Kingdom Prospectus Rules, or (iv) the need for a prospectus to have been approved by a person authorized under FSMA. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document is not a prospectus for the purposes of Section 85(1) of FSMA. Accordingly, this prospectus has not been approved as a prospectus by the FSA under Section 87A of FSMA and has not been filed with the FSA pursuant to the United Kingdom Prospectus Rules nor has it been approved by a person authorized under FSMA.

The certificates representing the Common Shares (other than the certificates representing Common Shares to be issued to persons resident outside of Canada, including those located in the United Kingdom or the United States or who are U.S. Persons, which will be issued in individually certificated form) will be issued in book-entry only form and registered to CDS or its nominee and deposited with CDS on the same day. No certificates representing the Common Shares will be issued to subscribers (other than those to be issued to subscribers resident outside of Canada, including those located in the United Kingdom or the United States or who are U.S. Persons), and registration will be made through the depositary services of CDS. Holders of Common Shares (other than holders resident outside of Canada, including those located in the United Kingdom or the United States or who are U.S. Persons) will receive only a customer confirmation from the Agents or other registered dealers who are CDS participants and from or through whom a beneficial interest in the Common Shares is acquired.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burstall Winger LLP, counsel to the Corporation, and McCarthy Tétrault LLP, counsel to the Agents (collectively "**Counsel**"), the following summary describes the principal Canadian federal income tax considerations under the Tax Act generally applicable to a holder who at all relevant times is a resident or is deemed to be a resident of Canada for the purposes of the Tax Act (a "**Holder**"), who acquires Common Shares pursuant to this Offering and who, for purposes of the Tax Act and at all relevant times, holds such securities as capital property and deals at arm's length with and is not affiliated with the Corporation or the Agents. Generally, Common Shares would be considered to be capital property to a Holder provided that the Holder does not hold the Common Shares in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder (i) that is a "financial institution", as defined in the Tax Act, for purposes of the mark-to-market rules, (ii), that, together with "related persons" (within the meaning of the Tax Act) own a sufficient equity percentage of the Corporation that the Corporation would be a "foreign affiliate" (within the meaning of the Tax Act) to such Holder, (iii) an interest in which would be a "tax shelter investment" as defined in the Tax Act, or (iv) that has made a functional currency reporting election for purposes of the Tax Act. Such Holders should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act in force as of the date hereof, and Counsel's understanding of the current published administrative and assessing practices and policies of the Canada Revenue Agency (the "**CRA**"). This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed. However, there can be no assurance that the Proposed Amendments will be enacted in their current form or at all. This summary does not otherwise take into account or anticipate any changes in the law or administrative or assessing practice or policy of the CRA whether by legislative, regulatory, administrative, or judicial action, nor does it take into account tax legislation or considerations of any province, territory, or foreign jurisdiction, which may differ significantly from those discussed herein.

This summary is of a general nature only, and is not intended to be nor should it be construed to be, legal, business or tax advice to any particular Holder. This summary is not exhaustive of all Canadian federal income tax considerations applicable to a Holder acquiring Common Shares pursuant to this Offering. Accordingly, Holders should consult their own tax advisors having regard to their own particular circumstances.

Currency

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Common Shares (including dividends, adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars, based on the applicable rate of exchange quoted by the Bank of Canada at noon on the relevant date or such other rate of exchange that is acceptable to the CRA.

Status of the Corporation

Based in part on certain representations made by the Corporation to Counsel, the Corporation is a corporation that is not resident in Canada for Canadian federal income tax purposes. Therefore, this summary assumes that the Corporation is not resident in Canada for the purposes of the Tax Act at all material times. Where the Corporation is a "domestic corporation" for U.S. tax purposes, a Holder may be subject to withholding taxes in the U.S. in respect of dividends paid by the Corporation to the Holder or on the disposition of Common Shares by the Holder. See "*Material U.S. Federal Income Tax Considerations to Non-U.S. Holders - Dividends*".

Taxation of Dividends

The full amount of dividends received or deemed to be received by a Holder on the Common Shares, including amounts deducted for foreign withholding tax, if any, will be included in computing the Holder's income. For an individual (including a trust) the gross-up and dividend tax credit rates in the Tax Act will not apply to such dividends. A Holder that is a corporation will not be entitled to deduct the amount of such dividends in computing its taxable income. A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 ⅔% in respect of its "aggregate investment income" for the year, which will include such dividends. Foreign withholding tax payable by a Holder in respect of dividends received on the Common Shares may be eligible for a foreign tax credit or deduction under the Tax Act to the extent and under the circumstances described in the Tax Act. Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction, having regard to their own particular circumstances.

Dispositions of Common Shares

A Holder who disposes of or is deemed to dispose of a Common Share generally will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base to the Holder of such Common Shares, immediately before the disposition or deemed disposition. The taxation of capital gains and losses is described below under the heading "*Capital Gains and Capital Losses*".

Capital Gains and Capital Losses

Generally, a Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized by the Holder in such taxation year. Subject to and in accordance with the provisions of the Tax Act, a Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a particular taxation year against taxable capital gains realized by the Holder in the year. Allowable capital losses not deducted in a particular taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

A Holder that is a "Canadian-controlled private corporation" as defined in the Tax Act may be liable to pay an additional 6⅔% refundable tax on certain investment income, including taxable capital gains. Capital gains realized by a Holder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act.

Foreign taxes, if any, levied on any gain realized on the disposition of the Common Shares may be eligible for a foreign tax credit or deduction under the Tax Act to the extent and under the circumstances described in the Tax Act. Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction, having regard to their own particular circumstances.

Foreign Property Information Reporting

In general, a Holder that is a "specified Canadian entity", as defined in the Tax Act, for a taxation year or fiscal period and whose total "cost amount" of all "specified foreign property", as defined in the Tax Act, at any time in the taxation year or fiscal period exceeds CDN$100,000, is required to file an information return for the year or fiscal period disclosing prescribed information in respect of such property. Subject to certain exceptions, a Holder generally will be a specified Canadian entity. The Common Shares will be specified foreign property to a Holder. In the March 4, 2010 Federal Budget (the "**2010 Federal Budget**"), the Minister of Finance (Canada) proposed that the existing reporting requirements with respect to "specified foreign property" be expanded so that more detailed information is available to the CRA for audit use. Revised legislation dealing generally with proposals made in the 2010 Federal Budget was released August 27, 2010; however, such Proposed Amendments did not expand these reporting requirements. Accordingly, Holders should consult their own tax advisors regarding compliance with these rules, including any expansion thereof pursuant to the 2010 Federal Budget.

Offshore Investment Fund Property

The Tax Act contains rules which, in certain circumstances, may require a Holder to include an amount in income in each taxation year in respect of the acquisition and holding of a Common Share. These rules apply to a Holder if two conditions are satisfied.

The first condition for such rules to apply is that the value of the Common Share may reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments in: (i) shares of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (vii) rights or options to acquire or dispose of any of the foregoing, or (viii) any combination of the foregoing ("**Investment Assets**").

The second condition for such rules to apply to a Holder is that it must be reasonable to conclude that one of the main reasons for the Holder acquiring or holding a Common Share was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such Investment Assets for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act had the income, profits and gains been earned directly by the Holder. In making this determination, the Tax Act provides that regard must be had to all of the circumstances, including: (i) the nature, organization and operation of the Corporation and the terms and conditions of the Common Share, (ii) the extent to which any income, profit and gains that may reasonably be considered to be earned or accrued, whether directly or indirectly, for the benefit of the Corporation are subject to an income or profits tax that is significantly less than the income tax that would be applicable to such amounts if they were earned directly by the Holder, and (iii) the extent to which any income, profits and gains of the Corporation for any fiscal period are distributed in that or the immediately following fiscal period.

Where these rules apply, a Holder generally will be required to include in income for each taxation year in which the Holder owns a Common Share the amount, if any, by which (i) an imputed return for the taxation year computed on a monthly basis and calculated as the product obtained when the Holder's "designated cost" (within the meaning of the Tax Act) of the Common Share at the end of the month, is multiplied by 1/12th of the applicable prescribed rate for the period that includes such month (under the Proposed Amendments, the prescribed rate will be increased by 2%) exceeds (ii) any dividends or other amounts included in computing the Holder's income for the year (other than a capital gain) in respect of the Common Share determined without reference to these rules. Any amount required to be included in computing a Holder's income under these provisions will be added to the adjusted cost base to the Holder of its Common Shares.

For these purposes, the designated cost to a Holder of Common Shares at any particular time in a taxation year will generally include, among other things, the initial cost of acquisition of the Common Shares to the Holder and the total of all amounts required to be included in computing the Holder's income as imputed income in respect of a Common Share under these rules for a preceding taxation year. Subject to the comments below, the prescribed rate for purposes of these computations is the amount determined under the Regulations on a quarterly basis as the average equivalent yield of Government of Canada 90-day treasury bills (rounded to the next highest whole percentage) sold during the first month of the immediately preceding quarter (the "**Base Rate**").

In the 2010 Federal Budget, the Minister of Finance (Canada) announced that certain prior Proposed Amendments relating to the taxation of Canadian residents investing in certain "foreign investment entities" will not be implemented. The Minister of Finance (Canada) also announced a revised proposal to amend the existing "offshore investment fund property" rules (described above) to increase the applicable prescribed rate to the Base Rate plus two percentage points. Revised legislation implementing the new proposal was released on August 27, 2010.

As noted above, the "offshore investment fund property" rules will only apply if one of the main reasons for a Holder acquiring or holding a Common Share was to derive, either directly or indirectly, a benefit from Investment Assets in such a manner that any taxes on income, profits, and gain from such assets are significantly less than the tax that would have been applicable under Part I of the Tax Act had such amounts been earned directly by the Holder.

These rules are complex and their application depends, to a large extent, on the reasons for a Holder acquiring or holding Common Shares. Holders are urged to consult their own tax advisors regarding the application and consequences of these rules, including any changes thereto reflecting the 2010 Federal Budget, in their own particular circumstances.

UNITED KINGDOM TAX CONSIDERATIONS

There are tax considerations applicable to an investor acquiring Common Shares pursuant to this Offering who is resident or ordinarily resident in the United Kingdom for tax purposes. Accordingly, investors resident in the United Kingdom for tax purposes should consult their own tax advisors having regard to their own particular circumstances.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS TO NON-U.S. HOLDERS

In the opinion of Andrews Kurth LLP, the following is a general summary of the material U.S. federal income tax consequences of the ownership and disposition of Common Shares to a non-U.S. holder. For the purpose of this summary, a non-U.S. holder is any beneficial owner of Common Shares that is an individual, corporation, estate or trust and is not for U.S. federal income tax purposes any of the following: (i) a citizen or resident of the U.S., including some former citizens or residents of the U.S.; (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S. or any state thereof, including the District of Columbia; (iii) an estate if its income is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if it has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or if a U.S. court can exercise primary supervision over its administration, and one or more U.S. persons have the authority to control all of its substantial decisions.

If a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) holds Common Shares, the tax treatment of a partner in the partnership will generally depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold Common Shares and partners in such partnerships are urged to consult their tax advisors.

This summary assumes that a non-U.S. holder will hold Common Shares issued pursuant to this Offering as capital assets (generally, property held for investment). This summary does not address all aspects of U.S. federal income taxation or any aspects of state, local or non-U.S. taxation, nor does it consider any U.S. federal income tax considerations that may be relevant to non-U.S. holders that may be subject to special treatment under U.S. federal income tax laws. Furthermore, the following summary is based on current provisions of the U.S. Internal Revenue

Code of 1986, as amended, and U.S. Treasury Regulations and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect.

Holders should consult their own tax advisors regarding the U.S. federal, state, and local. income and other tax consequences of acquiring, holding and disposing of Common Shares.

Dividends

Although the Corporation does not anticipate paying dividends or other amounts to Holders for the foreseeable future, any dividends received, or deemed to be received, by a non-U.S. holder on the Common Shares will constitute dividends for U.S. tax purposes to the extent paid from the Corporation's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those dividends exceed the Corporation's current and accumulated earnings and profits, the dividends will constitute a return of capital and will first reduce a Holder's adjusted tax basis in the Common Shares, but not below zero, and then will be treated as gain from the sale of the Common Shares.

Any dividend (out of earnings and profits) paid to a non-U.S. holder of Common Shares generally will be subject to U.S. withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable tax treaty. In the case of a non-U.S. holder who is a resident of Canada and entitled to benefits under the current provisions of the *Canada - United States Tax Convention (*1980*)*, the rate of withholding tax on such dividends will generally be reduced to 15%. To receive the benefit of a reduced treaty rate, a non-U.S. holder must provide an IRS Form W-8BEN or other appropriate version of IRS Form W-8 certifying qualification for the reduced rate.

Dividends received by a non-U.S. holder that are effectively connected with a U.S. trade or business conducted by the non-U.S. holder are exempt from such withholding tax. To obtain this exemption, the non-U.S. holder must provide an IRS Form W-8ECI properly certifying such exemption. Such effectively connected dividends, although not subject to withholding tax, will be subject to U.S. federal income tax on a net income basis at the same graduated rates generally applicable to U.S. persons, net of certain deductions and credits, subject to any applicable tax treaty providing otherwise. In addition to the income tax described above, dividends received by corporate non-U.S. holders that are effectively connected with a U.S. trade or business of the corporate non-U.S. holder may be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable tax treaty.

A non-U.S. holder of Common Shares may obtain a refund of any excess amounts withheld if the non-U.S. holder is eligible for a reduced rate of U.S. withholding tax and an appropriate claim for refund is timely filed with the U.S. Internal Revenue Service or the IRS.

Gain on Disposition of Common Stock

A non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of Common Shares unless: (i) the gain is effectively connected with a U.S. trade or business of the non-U.S. holder and, if required by an applicable tax treaty, is attributable to a U.S. permanent establishment maintained by such non-U.S. holder; (ii) the non-U.S. holder is an individual who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs and certain other conditions are met; or (iii) the Corporation is or has been a "U.S. real property holding corporation" for U.S. federal income tax purposes. Generally, a corporation is a U.S. real property holding corporation if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. The Corporation believes that it is not, and will not become in the foreseeable future, a "U.S. real property holding corporation" for U.S. federal income tax purposes.

Unless an applicable tax treaty provides otherwise, gain described in (i) above will be subject to U.S. federal income tax on net income basis at the same graduated rates generally applicable to U.S. persons. Corporate non-U.S. holders also may be subject to a branch profits tax equal to 30% (or such lower rate as may be specified by an applicable tax treaty) of its earnings and profits that are effectively connected with a U.S. trade or business. Gain described in (ii) above (which may be offset by U.S. source capital losses, provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses) will be subject to a flat 30% U.S. federal income tax (or such lower rate as may be specified by an applicable tax treaty).

If the Corporation is a U.S. real property holding corporation (as defined above), a withholding tax of 10% on the gross proceeds would apply on the sale of Common Shares by a non-U.S. holder. Any such taxes withheld would reduce the tax liability of the non-U.S. holder, and if withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is timely furnished to the IRS.

Non-U.S. holders should consult any applicable income tax treaties that may provide for different rules.

Backup Withholding and Information Reporting

Generally, the Corporation must report annually to the IRS the amount of dividends paid to each non-U.S. holder, the name and address of the recipient, and the amount, if any, of tax withheld with respect to those dividends. A similar report is sent to each non-U.S. holder. These information reporting requirements apply even if withholding was not required. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

Payments of dividends to a non-U.S. holder may be subject to backup withholding (at the applicable rate) unless the non-U.S. holder establishes an exemption, for example, by properly certifying its non-U.S. status on an IRS Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding may apply if either the Corporation or the Corporation's paying agent has actual knowledge, or reason to know, that the beneficial owner is a U.S. person that is not an exempt recipient.

Payments of the proceeds from sale or other disposition by a non-U.S. holder of Common Shares effected outside the U.S. by or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) will apply to those payments if the broker does not have documentary evidence that the holder is a non-U.S. holder, an exemption is not otherwise established, and the broker has certain relationships with the United States.

Payments of the proceeds from a sale or other disposition by a non-U.S. holder of Common Shares effected by or through a U.S. office of a broker generally will be subject to information reporting and backup withholding (at the applicable rate) unless the non-U.S. holder establishes an exemption, for example, by properly certifying its non-U.S. status on an IRS Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, information reporting and backup withholding may apply if the broker has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient.

Backup withholding is not an additional tax. Rather, the U.S. income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is timely furnished to the IRS.

Legislation Affecting Common Shares Held Through Non-U.S. Accounts

On March 18, 2010, President Obama signed into law the Hiring Incentives to Restore Employment Act (the "**HIRE Act**"), which may result in materially different withholding and information reporting requirements than those described above, for payments made after December 31, 2012. The HIRE Act limits the ability of non-U.S. holders who hold Common Shares through a non-U.S. financial institution to claim relief from U.S. withholding tax in respect of dividends paid on Common Shares unless the foreign financial institution agrees, among other things, to annually report certain information with respect to "United States accounts" maintained by such institution. The HIRE Act also limits the ability of certain non-financial non-U.S. entities to claim relief from U.S. withholding tax in respect of dividends paid by the Corporation to such entities unless (1) those entities meet certain certification requirements; (2) the withholding agent does not know or have reason to know that any such information provided is incorrect and (3) the withholding agent reports the information provided to the IRS. The HIRE Act provisions will have a similar effect with respect to dispositions of Common Shares after December 31, 2012. A non-U.S. holder generally would be permitted to claim a refund to the extent any

tax withheld exceeded the holder's actual tax liability. Non-U.S. holders are encouraged to consult with their tax advisers regarding the possible implication of the HIRE Act on their investment in respect of the Common Shares.

Treasury Circular 230 Disclosure

The preceding discussion of material U.S. federal income tax considerations and any other discussion in this prospectus of the tax consequences or tax risks of an investment in the Common Shares (collectively, written advice) is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding tax penalties that may be imposed on the person. This advice was written to support the marketing of the transaction(s) or matter(s) addressed by this written advice, and the taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor. No limitation has been imposed by legal counsel on disclosure of the tax treatment or tax structure of the transaction.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere herein, none of the directors, officers or principal shareholders of the Corporation, and no associate or affiliate of any of them, has or has had any material interest in any transaction which has materially affected or is reasonably expected to materially affect the Corporation.

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in managerial and/or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. See "*Directors, Officers and Key Personnel of the Corporation – Conflicts of Interest*". Prior to the closing of the Offering, the Board of Directors will adopt a set of related-party transaction policies designed to minimize potential conflicts of interest arising from any dealings the Corporation may have with affiliates and to provide appropriate procedures for the disclosure, approval and resolution of any actual or potential conflicts of interest that may exist from time to time. Such policies will provide, among other things, that all related-party transactions, including any loans between the Corporation, its principal shareholders and affiliates, will be approved by the Audit Committee of the Board of Directors, after considering all relevant facts and circumstances, including without limitation the commercial reasonableness of the terms, the benefit and perceived benefit, or lack thereof, to the Corporation, opportunity costs of alternative transactions, the materiality and character of the related party's direct or indirect interest, and the actual or apparent conflict of interest of the related party, and after determining that the transaction is in, or not inconsistent with, the Corporation and its shareholders' best interests.

RISK FACTORS

Each purchaser should carefully consider the following risk factors in addition to the other information contained in this prospectus before purchasing the Common Shares. The risks and uncertainties below are not the only ones facing the Corporation. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently considers immaterial also may impair its business operations and cause the price of the Common Shares to decline. If any of the following risks actually occurs, the Corporation's business may be harmed and its financial condition and results of operations may suffer significantly. In that event, the trading price of the Common Shares could decline, and a purchaser may lose all or part of his, her or its investment.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These events and conditions have caused a loss of confidence in the broader United States and global credit and financial markets and have resulted in the collapse of, and government intervention in, major banks, financial institutions and insurers and have created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. While there are signs of economic recovery, these factors have negatively impacted company valuations and are likely to continue to impact the performance of the global economy going forward.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, actions taken by the Organization of Petroleum Exporting Countries ("**OPEC**") and the ongoing global credit and liquidity concerns.

Stage of Development

An investment in the Corporation is subject to certain risks related to the nature of the Corporation's business in the acquisition, exploration, development and production of oil resources in Azerbaijan and its early stage of development. The Corporation has no history of earnings and there can be no assurance that the Corporation's business will be successful or profitable. Revenues, other than interest on unused funds, may not occur for some time, if at all. Until such time as revenues are generated, the Corporation will use proceeds of the Offering to fund its negative operating cash flow in future periods, and may require additional financing in the future which may not be available or available on acceptable terms and the Corporation may be unable to satisfy commitments as a result and have to discontinue operations.

Non-Resident Directors and Officers

A majority of the directors, officers and promoters of the Corporation reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. Although these individuals that reside outside of Canada and that have signed this prospectus have appointed Burstall Winger LLP, Calgary, Alberta, Canada as agent for service of process, it may not be possible for investors to collect from such individuals judgments obtained in Canadian courts predicated on the civil liability provisions of securities legislation.

Rehabilitation, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, license, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves that the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on its ability to exploit and develop any properties it may have from time to time, but also on its ability to select, acquire and rehabilitate suitable producing properties or prospects. No assurance can be given that the Corporation will be able to locate and continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of oil and natural gas will be discovered or acquired by the Corporation. It is difficult to project the costs of implementing or the success of exploration, rehabilitation or development drilling programs due to the inherent uncertainties of drilling in unknown formations, the uncertainty of the condition of existing well bores, the costs associated with encountering various drilling conditions such as over-pressurized geological zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Future oil and natural gas exploration or development may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include but are not limited to delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. Production delays and declines from normal oilfield operating conditions cannot be eliminated and can be expected to adversely affect revenue, cash flow and financial condition levels to varying degrees.

Oil and natural gas exploration, development, rehabilitation and production operations are subject to all the risks and hazards typically associated with such operations, including but not limited to hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In accordance with industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks generally insurable. The Corporation will maintain liability insurance in an amount that it considers consistent with industry practice, however, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas exploration, development, rehabilitation and production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Corporation and its financial condition.

Reserves Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas reserves and cash flows to be derived therefrom, including many factors beyond the Corporation's control. The reserve and associated cash flow information set forth in this prospectus represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows derived therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. Estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom and prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

In accordance with applicable securities laws, the Miller Lents Report used both constant and forecast price and cost estimates in calculating oil and natural gas reserve quantities included within the reports. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and revenues derived therefrom will vary from the estimates contained in the Miller Lents Report, and such variations could be material. The Miller Lents Report is based in part on the assumed success of activities the Corporation intends to undertake in future years. The oil and natural gas reserves and estimated cash flows to be derived therefrom contained in the Miller Lents Report will be reduced to the extent that such activities do not achieve the level of success assumed in the Miller Lents Report.

The oil and natural gas reserve estimates given in the Miller Lents Report represent oil and natural gas reserves owned by Bahar Energy, a company 33.33% owned indirectly by the Corporation.

Tax Matters

If the Common Shares constitute "offshore investment fund property" to a Holder as described under the heading "*Certain Canadian Federal Income Tax Considerations – Offshore Investment Fund Property*" there may be certain adverse Canadian tax consequences to such Holders that are described in the section referred to above.

External Factors

The value of the Common Shares might be affected by matters not related to the Corporation's own operating performance for reasons that include the following:

- Azerbaijani and worldwide supplies, prices of and demand for oil and natural gas;
- political conditions in oil and natural gas producing regions, including Azerbaijan;
- investor perception of the oil and gas industry;
- change in environmental and other governmental regulations;
- announcements relating to the Corporation's business or the business of the Corporation's competitors;
- the Corporation's liquidity;
- the Corporation's ability to raise additional funds; and
- limited trading volume of the Common Shares.

Companies that have experienced volatility in their value have been the subject of securities class action litigation. The Corporation might become involved in securities class action litigation in the future. Such litigation often results in substantial costs and diversion of management's attention and resources and could have a negative effect on the Corporation's business and its results of operations.

Substantial Capital Requirements

The Corporation anticipates making substantial capital expenditures for the development, rehabilitation, production and acquisition of oil and natural gas reserves in the future. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capitalization significantly. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition and its results of operations.

Additional Financing Requirements and Dilution of Investment

It may take many years and substantial capital expenditures to pursue the exploration and development of the Corporation's existing opportunities, successfully or otherwise. From time to time, the Corporation may require additional financing in order to carry out its oil and natural gas acquisition, rehabilitation and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's future revenues from its potential reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its potential reserves or to maintain its production. If the Corporation's cash flow is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on favourable terms. The availability of equity or debt financing is affected by many factors, including world and regional economic conditions; the state of international relations; the stability and the legal, regulatory, fiscal and tax policies of various governments in areas of operation; fluctuations in the world and regional price of oil and gas and in interest rates; the outlook for the oil and gas industry in general and in areas in which the Corporation has or intends to have operations; and competition for investment funds among alternative investment projects. The terms of any such equity financing may be dilutive to holders of Common Shares purchased in this Offering. Potential investors and lenders will be influenced by their evaluations of the Corporation and its projects, including their technical difficulty, and comparison with available alternative investment opportunities. If adequate funds are not available, the Corporation may be required to scale back or reduce its interest in certain projects. If additional financing is raised by the issuance of shares, control of the Corporation may change and existing shareholders may suffer dilution. In addition, the Corporation may make future property or corporate acquisitions or enter into other transactions involving the issuance of securities of the Corporation which may also be dilutive.

Liquidity Risk

The abilities of investors to resell Common Shares purchased under this prospectus may be adversely impacted by the restrictions on resale imposed under Regulation S for a period of one year after the Closing Date. See "*Plan of Distribution - United States Securities Act and Regulation S*". As the level of activity and liquidity in an issuer's listed securities is in part dependent upon the ability of the U.S. Persons to buy and sell the listed securities of such issuers, the imposition of resale restrictions may have the effect of reducing activity and liquidity in the Common Shares once listed on the facilities of the TSXV.

Commodity Prices

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Corporation. World prices for oil and natural gas have fluctuated widely in recent years. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include economic conditions in the United States and Canada, the actions of OPEC, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and natural gas, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Corporation's carrying value of any reserves, borrowing capacity, revenues, profitability and cash flows from operations.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to the Corporation may in part be determined by the Corporation's oil and gas reserves that form its borrowing base. A sustained material decline in prices from historical average prices could reduce the Corporation's borrowing base, therefore reducing the bank credit available to the Corporation which could require that a portion, or all, of any potential bank debt of the Corporation be repaid. The Corporation has reduced this risk by not carrying any bank debt at this time.

Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation will be affected by numerous factors beyond its control. The Corporation's ability to market any oil and natural gas it discovers or acquires may depend upon its ability to acquire space on pipelines that deliver crude oil and natural gas to commercial markets. The Corporation may also be affected by deliverability uncertainties related to the proximity of any reserves it establishes to pipelines and processing facilities and related to operational problems with such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the Corporation's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of any reserves which the Corporation may establish. The Corporation might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in any net production revenue of the Corporation causing a reduction in its oil and gas acquisition, development, rehabilitation and exploration activities.

The producers of oil are entitled to negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Oil prices are primarily based on worldwide supply and demand. The specific price depends in part on oil quality, prices of competing fuels, distance to the markets, the value of refined products, the supply/demand balance, and other contractual terms.

The price of natural gas is determined by negotiation between buyers and sellers. Recent gas negotiations continue to be influenced by increasing gas exports from Azerbaijan to Russia, Turkey and throughout the region. In respect of the Bahar Project, sales of natural gas will be governed by the Bahar Gas Sales Agreement for the next five years.

Project Risks

The Corporation will manage a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Corporation's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond the Corporation's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel services;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;

- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

As a result of the foregoing factors, the Corporation may be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Availability of and Access to Drilling and Related Equipment

Oil and natural gas exploration and development activities are dependent on the availability of drilling, recompletion and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration, rehabilitation and development activities and effect the Corporation's results of operations. If the demand for, and wage rates of, qualified rig crews and other personnel rise, then the oil and gas industry and the Corporation may experience shortages of qualified personnel to operate drilling rigs and to conduct other work. This may delay the Corporation's exploration, rehabilitation, development and production operations and may adversely affect the Corporation and its results of operations. To the extent the Corporation is not the operator of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will be limited in its ability to direct or control the operations.

Risk of Foreign Operations

The Corporation's principal oil and natural gas properties are currently located in Azerbaijan. As such, the Corporation is subject to political, economic, and other uncertainties, including, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty and tax increases and other risks arising out of foreign governmental sovereignty over areas in which the Corporation's operations are conducted, as well as the risks of loss due to civil strife, acts of war, acts of terrorism, guerilla activities and insurrections. In the event of a dispute arising in connection with the Corporation's operations outside of the United States, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of the United States or enforcing judgments from the United States in other jurisdictions. The Corporation may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Corporation's exploration, development and production activities outside of the United States could be substantially impacted by factors beyond the Corporation's control, any of which could have a material impact on the Corporation.

The Corporation's operations may be adversely affected by changes in governmental policies and legislation or social instability and other factors which are not within control of the Corporation including, among other things, a change in crude oil or natural gas pricing policy, the actions of national labour unions, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions and the imposition of specific drilling obligations and the development and abandonment of oil or natural gas fields.

The Corporation's operations and expenditures are to some extent paid in foreign currencies. As a result, the Corporation is exposed to market risks resulting from fluctuations in foreign currency exchange rates. A material increase or drop in the value of any such foreign currency could result in a material adverse effect on the Corporation's cash flow and revenues. Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings from Azerbaijan to foreign entities. However, there can be no assurance that restrictions on repatriation of capital or distributions of earnings from Azerbaijan will not be imposed in the future.

The Corporation is not currently using exchange rate derivatives to manage exchange rate risks. In addition, the Corporation's results will be reported in United States Dollars and any foreign currency denominated monetary balances could result in gains and losses that may increase the variability of earnings.

Risk Factors Relating to Operations in Azerbaijan

Beyond the risks inherent in the oil and natural gas industry, the Corporation is subject to additional risks resulting from doing business in Azerbaijan. While the Corporation will attempt to reduce many of these risks through agreements with the Government of Azerbaijan and others, no assurance can be given that such risks have been mitigated. The risks include matters arising from the evolving laws and policies of Azerbaijan, the imposition of special taxes or similar charges, oil export or pipeline restrictions, foreign exchange fluctuations and currency controls, the unenforceability of contractual rights or the taking of property without fair compensation, restrictions on the use of expatriates in operations and other matters.

Regulatory Regime

The Corporation bears the risk that a change of government could occur and a new government may void the contracts, laws and regulations that the Corporation is relying upon for the exploration, rehabilitation, development and production of oil and natural gas and operations relating thereto. Regulations with respect to exploration and production operations may be revised at any time. There can be no assurance that any such regulatory enactments will not have a materially adverse effect on the operations or the revenues generated in Azerbaijan.

Legal Risks

Laws relating to corporate law, tax law, customs law and currency and banking legislation are subject to modifications or revision by Azerbaijan. Non-compliance may have consequences which are out of proportion to the severity of the non-compliance. Contracts may be susceptible to conflicting interpretations, revision or cancellation and legal redress may be uncertain, delayed or unavailable. It is possible that Azerbaijan may make changes to laws, decrees, rules or regulations which may restrict the rights or benefits accruing to the Corporation or which may increase its financial obligations.

Regional Risk

Azerbaijan is located in a region that has, at times, been politically unstable. Regional wars or other forms of instability in the region that may or may not directly involve Azerbaijan could have an adverse impact on Azerbaijan's ability to engage in international trade or the exploration, rehabilitation, development and production of oil and gas assets in Azerbaijan by the Corporation.

Reliance on Industry Partners

The Corporation relies on industry partners, including specifically Baghlan and RAFI, the Corporation's partners in Bahar Energy. The Corporation relies on these partners with respect to the evaluation, acquisition, development funding and timing of activities, as well as future production from, the Bahar Project, and a failure or inability to perform by such partners could materially affect the prospects of the Corporation.

Conflicting Interests with Partners

Joint venture, acquisition, financing and other agreements and arrangements must be negotiated with independent third parties and, in some cases, must be approved by governmental agencies. These third parties generally have objectives and interests that may not coincide with the Corporation's interests and may conflict with the Corporation's interests. Unless the parties are able to resolve these conflicting objectives and interests in a mutually acceptable manner, agreements and arrangements with these third parties will not be consummated, which would likely have a material adverse effect on the Corporation's financial condition and results of operations.

In certain circumstances, the consent of joint-venturers may be required for various actions. Other parties influencing the timing of events may have priorities that differ from the Corporation's, even if they generally share the Corporation's objectives. Demands by or expectations of governments, joint-venturers, customers, and others may affect the Corporation's strategy regarding the various projects. Failure to meet such demands or expectations could adversely affect the Corporation's participation in such projects or its ability to obtain or maintain necessary licenses and other approvals. If that were to occur, it would likely have an adverse effect on the Corporation's financial condition and results of operations.

Competition

The oil and gas industry is highly competitive particularly as it pertains to the search for and development of new sources of oil and natural gas reserves, the construction and operation of oil and natural gas pipelines and facilities, and the transportation and marketing of oil, natural gas, sulphur and other petroleum products. The Corporation's competitors include major integrated oil and gas companies and numerous other independent oil and gas companies, some of which have greater financial, technical and other resources than the Corporation. The Corporation's ability to establish reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. There is no assurance that the Corporation will be able to successfully compete against its competitors.

Expiration of Contract Terms

The Corporation's property interests are generally expected to be held indirectly in the form of PSA's. If the Corporation or the holder of the interests in the PSA fails to meet the specific requirement(s) of a PSA, the interest or any part thereof may terminate or expire. There can be no assurance that any of the obligations required to maintain each interest in a PSA will be met. The termination or expiration of the Corporation's particular interest in a PSA, including the ERDPSA, will likely have a material adverse effect on the Corporation's financial condition and results of operations.

Reserve Replacement

The Corporation's future oil and natural gas reserves, production, if any, and cash flows to be derived therefrom are entirely dependent on the Corporation successfully acquiring, discovering and developing new reserves. Without the initial establishment and the continual addition of new reserves, any existing reserves the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited, which would adversely affect the Corporation's results of operations, cash flows and financial condition of the Corporation. Establishment of the Corporation's reserves will depend not only on the Corporation's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Corporation's future exploration and development efforts will result in the discovery and development of commercial accumulations of oil and natural gas.

Reliance on Key Personnel

Investors must rely upon the ability, expertise and judgment of the management and key personnel of the Corporation. The Corporation's success will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on the Corporation. The Corporation does not have key person insurance in effect for management of the Corporation. The contributions of these individuals to the immediate operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Assessments of Value of Acquisitions

Acquisitions of oil and natural gas companies and assets are typically based on engineering and economic assessments made by independent engineers and the Corporation's own assessments. These assessments will include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, future prices of oil and natural gas and operating costs, future capital expenditures and royalties, and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the Corporation's control. In particular, the prices of, and markets for, oil and natural gas products may change from those anticipated at the time of making such assessment. In addition, all such assessments involve a measure of geologic and engineering uncertainty which could result in lower production and reserves than anticipated. Initial assessments of acquisitions may be based on reports by a firm of independent engineers that are not the same as the firm that the Corporation uses for its year-end reserve evaluations. Because each of these firms may have different evaluation methods and approaches, these initial assessments may differ significantly from the assessments of the firm used by the Corporation. Any such instance may result in a reduction in the price of the Common Shares.

Acquisition Risks

Although the Corporation intends to perform a review of properties prior to obtaining licenses or acquiring them that it believes is consistent with industry practice, such reviews are inherently incomplete. It is generally not feasible to review in depth every individual property involved in each acquisition. Generally, the Corporation plans to focus its due diligence efforts on higher valued properties and will sample the remainder. However, even an in-depth review of all properties and records may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. The Corporation may be required to assume pre-closing liabilities, including environmental liabilities, and may acquire interest in properties on an "as is" basis.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation intends to obtain licenses and make acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the consolidated financial statements of the Corporation.

Environmental Risks and Regulations

All phases of the oil and gas industry present environmental risks and are subject to environmental regulation pursuant to a variety of international conventions and local laws and regulations. Such legislation provides for, among other things, restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of fines and penalties any of which may materially adversely affect the Corporation's financial condition and results of operations. Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing. No assurance can be given that environmental legislation will not result in a curtailment of production or a material increase in the costs of exploration, development or production activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

Insurance

The Corporation's involvement in the exploration for and development of oil and gas properties may result in the Corporation becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. The insurance the Corporation maintains may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not be insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's financial position, results of operations and prospects.

Delays in Business Operations

In addition to the usual delays in payments by purchasers of oil and natural gas to the Corporation, payments to the Corporation may be delayed due to restrictions imposed by lenders, accounting delays, delays in the sale or delivery of products, delays in the connections of wells to a gathering system, adjustment for prior periods, or recovery of expenses incurred in the operation of the properties. Any of these delays could reduce the amount of cash flow available for the Corporation in a given period and expose the Corporation to additional third party credit risks.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Financial Instruments and Hedging

At such time as oil and/or natural gas production is achieved by the Corporation and from time to time thereafter, the Corporation may enter into agreements to receive fixed prices on such production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements.

Issuance of Debt and Borrowing

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness, from time to time, could impair the Corporation's ability to obtain additional financing in the future on a timely basis, impairing its ability to take advantage of business opportunities that may arise.

The Corporation's potential lenders will likely require security over substantially all of the assets of the Corporation. If the Corporation becomes unable to pay its debt service charges or otherwise commits an event of default, such as bankruptcy, these lenders may foreclose on or sell some or potentially all of the Corporation's properties. The proceeds of any such sale would be applied to satisfy amounts owed to the Corporation's lenders and other creditors and only the remainder, if any, would be available to the Corporation.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with joint venture partners, with marketers of petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners of the Corporation may impact a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner.

Governmental Regulation

The petroleum industry is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights. As well, governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for natural gas and oil, increase costs and may have a material adverse impact on the Corporation. Export sales are subject to the authorization of provincial and federal government agencies and the corresponding governmental policies of foreign countries. Development of reserves and rates of return are also susceptible to changes in governmental fiscal policy. Generally, government and other regulatory licenses and permits are required to conduct exploration, rehabilitation, development and production activities. The issuance of such licenses and permits is subject to the discretion of the applicable governments or governmental agencies and offices, and there can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out its exploration, rehabilitation, development and production activities at its properties. The Corporation must comply with known standards, existing laws and regulations. New laws and regulations, amendments to existing laws and regulations or more stringent enforcement of existing laws and regulations could have a material adverse impact on the Corporation and its results of operations, financial condition and prospects.

Development of the Corporation's properties requires the approval by applicable regulatory authorities of the plans of the Corporation with respect to the drilling and development of such properties. A failure to obtain such approval on a timely basis or the imposition of material conditions by such authority in connection with the approval may materially affect the prospects of the Corporation.

Litigation Matters

Claims may be made against the Corporation and in the event of such claims arising, management of the Corporation will undertake a review to determine what, if any, action the Corporation should take. Any claim, whether or not without merit, may prove time-consuming to evaluate, result in costly litigation and may cause delay in the operations and/or business of the Corporation.

Labour

The Corporation may be dependent on local labour to carry out site work relating to its international operations. The Corporation may directly employ local workers and may be subject to local labour laws. There can be no assurance that labour related disputes, developments or actions, including strikes, may not occur in the future. Such occurrences may have a material adverse impact on the business, operations, prospects and financial condition of the Corporation.

Costs of New Technologies

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation does. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. In such case, the Corporation's business, financial condition and results of operations could be materially adversely affected. If the Corporation is unable to utilize the most advanced commercially available technology, the Corporation's business, financial condition and results of operations could be materially adversely affected.

Conflicts of Interest

Certain directors and officers of the Corporation are also directors of other companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures as established by the Board.

Share Price Volatility

The market price of the Common Shares could be subject to wide fluctuations in response to the Corporation's results of operations, changes in earnings estimates by analysts, changing conditions in the oil and gas industry, or changes in general market, economic or political conditions.

The Offering Price at which the Common Shares are being offered hereunder is determined through negotiations between the Corporation and the Agents. Among the factors to be considered in determining the price are the Corporation's future prospects and the prospects of the industry in general, sales, oil and natural gas reserves, financial information in recent periods, and the market prices of securities and certain financial and other operating information of companies engaged in activities similar to the Corporation's. The Offering Price of the Common Shares may not be indicative of the market price for the Corporation's Common Shares after the Offering, which price may decline below the Offering Price.

Absence of Cash Dividends

The Corporation has not paid any cash dividends to date on the Common Shares and there are no plans for such dividend payments in the foreseeable future.

PROMOTERS

Richard E. MacDougal, Alex T. Warmath and John W. Harkins may be considered promoters of the Corporation by virtue of their initiative in founding and organizing the business and affairs of the Corporation. Other than as disclosed elsewhere in this prospectus, none of the promoters has received and will not, as result of the Offering, receive, either directly or indirectly, anything of value, including money, property, contracts, options or rights of any kind, from the Corporation. See "*Interest of Management and Others in Material Transactions*".

As of the date hereof, Richard E. MacDougal beneficially owns, controls or directs, directly or indirectly, 1,511,667 Common Shares (representing 15.13% of outstanding Common Shares as of the date hereof), Alex T. Warmath beneficially owns, controls or directs, directly or indirectly, 1,475,667 Common Shares (representing 14.77% of the outstanding Common Shares as of the date hereof) and John W. Harkins beneficially owns, controls or directs, directly or indirectly 969,667 Common Shares (representing 9.7% of the outstanding Common Shares as at the date hereof). See "*Directors and Officers*".

MATERIAL CONTRACTS

The only material contracts entered into or proposed to be entered into by the Corporation on its behalf, since incorporation, other than contracts in the ordinary course of business, are as follows:

1. The ERDPSA. See "*Business of the Corporation – General Development of the Business*".

2. The agency agreement dated effective February 19, 2010 among GPC, FirstEnergy and Raymond James entered into in connection with the February 2010 Private Placement. See "*Business of the Corporation*".

3. The sale and purchase agreement between Greenfields Petroleum (Indonesia) Company Ltd. and APEC Indonesia Limited dated April 14, 2009. See "*Business of the Corporation – Material Dispositions*".

4. The Agency Agreement among the Corporation and the Agents relating to this Offering. See "*Plan of Distribution*".

5. The Bahar Shareholders Agreement. See "*Corporate Structure - Bahar Energy Shareholders Agreement*".

6. The September 2010 Agency Agreement. See "*Business of the Corporation*".

7. The Bahar Gas Sales Agreement. See "*Description of the ERDPSA - Gas Sales*".

8. The Bahar Oil Sales Agreement. See "*Description of the ERDPSA - Oil Sales*".

9. The BEOC Shareholders Agreement. See "*Description of the ERDSPA - Description of the BEOC Shareholders Agreement* ".

10. The Joint Operating Agreement. See "*Description of the ERDPSA - Operational Matters*".

Copies of these agreements, when executed, may be inspected at the head office of the Corporation at Suite 227, 211 Highland Cross, Houston, Texas, U.S.A. 77073 or at the offices of Counsel to the Corporation, Burstall Winger LLP located at Suite 1600, 333 - 7th Avenue, S.W., Calgary, Alberta T2P 2Z1 during normal business hours during the course of distribution of the Common Shares.

Copies of these documents as well as additional information relating to the Corporation contained in documents filed by the Corporation with the Canadian securities regulatory authorities may also be accessed through the SEDAR website at www.sedar.com.

LEGAL PROCEEDINGS

Other than as described below, to the knowledge of the Corporation, since the beginning of the most recently completed financial year for which financial statements of the Corporation are included in this prospectus, there are no legal proceedings or regulatory actions material to the Corporation to which the Corporation is a party or of which any of its properties are the subject matter, nor are any such proceedings known to the Corporation to be contemplated.

The Corporation has been contacted by a former consultant claiming rights to a referral fee in the form of a small interest in Greenfields Petroleum International Company Ltd. , the wholly-owned subsidiary of the Corporation that owns a 33.33% interest in Bahar Energy. Management of the Corporation believe the claim is without merit, but have engaged in discussions in an attempt to resolve his concerns.

Since incorporation, there have not been any penalties or sanctions imposed against the Corporation by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Corporation and the Corporation has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

EXPERTS

Certain legal matters relating to the issue and sale of Common Shares offered hereby will be considered on behalf of the Corporation by Burstall Winger LLP and Andrews Kurth LLP, and on behalf of the Agents by McCarthy Tétrault LLP.

As of the date hereof, partners and associates of Burstall Winger LLP, Andrews Kurth LLP and of McCarthy Tétrault LLP do not own, directly or indirectly, more than one percent of the issued and outstanding Common Shares. Other than Douglas M. Stuve, who is Assistant Secretary of the Corporation, no partner or associate of Burstall Winger LLP, Andrews Kurth LLP or McCarthy Tétrault LLP is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or any of its associates or affiliates.

Miller Lents prepared the Miller Lents Report, which report evaluates the reserves of the Corporation in Azerbaijan. Neither Miller Lents nor any associate or affiliate of Miller Lents owns, directly or indirectly, any Common Shares. No director, officer or employee of Miller Lents is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or any of its associates or affiliates.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Deloitte & Touche LLP, Chartered Accountants, Suite 3000, 700 - 2 Street S.W., Calgary, Alberta, T2P 0S7 and are independent of the Corporation in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

The transfer agent and registrar for the Common Shares is Alliance Trust Company at its principal transfer office in Calgary, Alberta.

EXEMPTIONS FROM NI 41-101

The Corporation has obtained the following exemptions from the provisions of NI 41-101 which will be evidenced by the issuance of a receipt for this prospectus:

(a) The requirement under Subsection 2.3(1) of NI 41-101 that an issuer not file a final prospectus more than 90 days after the date of the receipt for the preliminary prospectus that relates to the final prospectus. The Corporation received a receipt dated May 12, 2010 for its preliminary prospectus; and

(b) The requirement under paragraph 32.1(b) of Form 41-101F1 to include financial statements in respect of the Bahar Project. See "*Regulatory Matters Concerning Financial Statements*".

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus or any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the prospectus of Greenfields Petroleum Corporation (the "**Corporation**") dated November 3, 2010 relating to the offer to sell common shares of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the board of directors of the Corporation on the consolidated balance sheet of the Corporation as at December 31, 2009 and the consolidated statements of operations, comprehensive income (loss) and deficit and cash flows for the year then ended. Our audit report is dated April 11, 2010 (except for note 16 which is as at November 3, 2010).

"*Deloitte & Touche LLP*"

Chartered Accountants

Calgary, Alberta
November 3, 2010

CONSOLIDATED FINANCIAL STATEMENTS OF THE CORPORATION

Consolidated Financial Statements of

GREENFIELDS PETROLEUM CORPORATION

For the Three and Six Months ended June 30, 2010 and 2009
(Unaudited)
(In United States Dollars)

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In United States Dollars)

	June 30, 2010 $	December 31, 2009 $
ASSETS		
Current assets		
Cash and cash equivalents (note 12)	3,596,177	1,326,135
Accounts receivable	28,283	84,758
Prepaid expenses and deposits	38,936	33,117
	3,663,396	1,444,010
Deferred share issue costs (note 3)	503,382	-
Investment (note 5)	290,822	326,085
Future income tax asset (note 9)	519,023	-
Equipment and leasehold improvements (note 6)	33,352	8,176
	5,009,975	1,778,271
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	440,167	94,219
	440,167	94,219
Non-controlling interest (note 13)	888	5,494
	441,055	99,713
GOING CONCERN (note 2)		
COMMITMENTS AND CONTINGENCIES (note 14)		
SUBSEQUENT EVENTS (note 17)		
Shareholders' equity		
Common stock / membership units (note 10)	8,010	4,255,000
Paid in capital (note 10)	7,775,927	-
Warrants (note 10)	1,198,313	-
Deficit	(4,413,330)	(2,576,442)
	4,568,920	1,678,558
	5,009,975	1,778,271

See accompanying notes to the consolidated financial statements

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE (LOSS) INCOME AND DEFICIT
(Unaudited)
(In United States Dollars)

	Three Months Ended June 30 2010 $	Three Months Ended June 30 2009 $	Six Months Ended June 30 2010 $	Six Months Ended June 30 2009 $
Revenue				
Management service fees	84,000	109,998	168,000	213,332
Interest	-	145	-	207
	84,000	110,143	168,000	213,539
Expenses				
General and administrative	1,291,631	376,483	2,246,584	541,061
Stock-based compensation	27,844	-	182,119	-
Depreciation and amortization	3,206	-	4,573	-
Loss on transfer of investment interest	-	-	226,040	-
Equity loss from investment	-	91,523	-	139,177
Interest	-	4,344	-	14,943
	1,322,681	472,350	2,659,316	695,181
Loss from continuing operations before income tax recovery	(1,238,681)	(362,207)	(2,491,316)	(481,642)
Future income tax recovery (note 9)	390,720	-	519,023	-
Loss from continuing operations before discontinued operations	(847,961)	(362,207)	(1,972,293)	(481,642)
(Loss) income from discontinued operations, net of tax (note 4)	(2,125)	3,086,201	135,405	2,000,072
Net (loss) income and comprehensive (loss) income	(850,086)	2,723,994	(1,836,888)	1,518,430
Deficit, beginning of period	(3,563,244)	(4,968,418)	(2,576,442)	(3,762,854)
Deficit, end of period	(4,413,330)	(2,244,424)	(4,413,330)	(2,244,424)
Per share (note 10)				
Net loss from continuing operations, basic and diluted	($0.11)	($0.06)	($0.26)	($0.07)
Net (loss) income from discontinued operations, basic and diluted	$0.00	$0.48	$0.02	$0.31
Net (loss) income, basic and diluted	($0.11)	$0.42	($0.24)	$0.24

See accompanying notes to the consolidated financial statements

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In United States Dollars)

	Three Months Ended June 30 2010 $	Three Months Ended June 30 2009 $	Six Months Ended June 30 2010 $	Six Months Ended June 30 2009 $
Cash and cash equivalents provided (used in)				
Operating activities				
Net (loss) income	(850,086)	2,723,994	(1,836,888)	1,518,430
Net loss (income) from discontinued operations	2,125	(3,086,201)	(135,405)	(2,000,072)
Net loss from continuing operations	(847,961)	(362,207)	(1,972,293)	(481,642)
Items not affecting cash:				
Stock-based compensation	27,844	-	182,119	-
Depreciation and amortization	3,206	-	4,573	-
Future income tax recovery	(390,720)	-	(519,023)	-
Loss on transfer of investment interest	-	-	217,390	-
Equity loss from investment	-	91,523	-	139,177
	(1,207,631)	(270,684)	(2,087,234)	(342,465)
Change in non-cash operating working capital related to continuing operations (note 11)	101,301	(385,354)	15,441	(43,613)
	(1,106,330)	(656,038)	(2,071,793)	(386,078)
Cash flow from discontinued operating activities (note 4)	(31,000)	4,160,927	130,800	3,346,618
	(1,137,330)	3,504,889	(1,940,993)	2,960,540
Financing activities				
Proceeds from short term bridge loan (note 8)	-	-	-	415,000
Repayment of notes payable (note 8)	-	(1,217,873)	-	(1,217,873)
Proceeds from private placement, net of issue costs (note 10)	(1,060)	-	4,548,730	-
Deferred share issue costs	(436,050)	-	(503,382)	-
Distributions paid (note 10)	-	-	(3,600)	-
Non-controlling interest cash contributions	-	71,600	-	202,789
Change in non-cash working capital relating to financing activities	-	-	381,163	-
	(437,110)	(1,146,273)	4,422,911	(600,083)
Investing activities				
Equipment and leasehold improvement purchases	(9,362)	-	(29,749)	-
Investments in equity investee (note 5)	(182,127)	(204,353)	(182,127)	(354,353)
	(191,489)	(204,353)	(211,876)	(354,353)
Change in cash and cash equivalents	(1,765,929)	2,154,263	2,270,042	2,006,104
Cash and cash equivalents, beginning of period	5,362,106	35,779	1,326,135	183,938
Cash and cash equivalents, end of period (note 12)	3,596,177	2,190,042	3,596,177	2,190,042

See accompanying notes to the consolidated financial statements

GREENFIELDS PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(Unaudited)
(In United States Dollars)

1. INCORPORATION AND NATURE OF OPERATIONS

Greenfields Petroleum, LLC was originally incorporated under the laws of the State of Texas as Greenfields Petroleum, Inc. on November 28, 2007, and subsequently converted to Greenfields Petroleum, LLC on April 4, 2008, a State of Texas Limited Liability Company. On February 19, 2010, the Company converted to an incorporated Company registered in the State of Delaware and concurrently changed its name to Greenfields Petroleum Corporation (the "Company"). The Company is engaged in the acquisition, development and production of oil and gas properties with a primary focus on international projects.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

These interim consolidated financial statements of the Company as at June 30, 2010, and for the three and six months ended June 30, 2010, should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2009. The notes to these interim consolidated financial statements do not conform in all aspects to the note disclosure requirements of GAAP for annual consolidated financial statements. These interim consolidated financial statements are prepared using the same accounting policies and methods computation as disclosed in the annual consolidated financial statements for the year ended December 31, 2009. The disclosures provided within are incremental to those included with the consolidated financial statements.

Going Concern

These financial statements have been prepared on the going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. At June 30, 2010, the Company has a deficit of $4,413,330 and has incurred losses since inception. The Company is in the process of acquiring and developing the rights to oil and gas properties focused primarily in the Republic of Azerbaijan and also has plans to expand its oil and gas assets through further farm-in and acquisitions focusing on previously discovered undeveloped and underdeveloped international oil and gas fields.

The continuing operations of the Company are dependent upon obtaining necessary financing to meet the Company's commitments as they come due and to finance development and production from the properties, the discovery of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production or proceeds from disposition of the oil and gas properties. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values. Management is of the opinion that sufficient working capital will be obtained through the issuance of additional common shares to meet the Company's liabilities and commitments as they come due. However, there can be no certainty that such financing will be obtained.

3. DEFERRED SHARE ISSUE COSTS

For the three and six months ended June 30, 2010, the Company has incurred share issue costs in connection with the anticipated initial public offering of the Company's shares of $436,050 and $503,382, respectively.

Upon completion of the initial public offering of shares, the deferred share issue costs will be offset to the proceeds received from the offering of shares.

4. DISCONTINUED OPERATIONS

Due to adverse market conditions as a result of the worldwide financial crisis and the desire of the Corporation to focus management time and attention on Azerbaijan, the Company elected to divert its interest in Greenfields Petroleum (Lahat) Company. On April 14, 2009, the Company entered into a sale and purchase agreement with APEC Indonesia Limited pursuant to which it sold "Lahat" to APEC Indonesia Limited for consideration of approximately US$5.3 million, as well as a contingent net profits interest. The contingent net profits interest took the form of a deferred payment agreement dated April 24, 2009, pursuant to which APEC Indonesia Limited agreed to pay Greenfields Petroleum (Indonesia) Company Ltd. a deferred purchase price payment in installments equal to 4% of the Bunga Mas International Company's (BMIC) share of the crude oil remaining after the deduction of operating costs (otherwise known under the Bunga Mas PSC as "Profit Oil"), reduced by the amount of certain Indonesian taxes. Payments begin with the first production of Profit Oil from the area of the Bunga Mas PSC, and will terminate when the installment payments total US$8 million. To date, no production has yet been realized by BMIC from the area of the Bunga Mas PSC. Greenfields Petroleum (Indonesia) Company Ltd. has agreed to indemnify up to a maximum of US$150,000 to the buyer of "Lahat" in respect of potential future reclamation efforts related to two previously established well locations, if required by the regulatory authorities. Greenfields Petroleum (Indonesia) Company Ltd. has also agreed to indemnify the buyer of "Lahat" for liabilities that might arise in the future for events that transpired during the period Greenfields Petroleum (Indonesia) Company Ltd. held its interest in "Lahat". The maximum amount of the latter indemnification cannot be reasonably estimated due to its nature nor are such events considered likely. Historically, Greenfields Petroleum (Indonesia) Company Ltd. has not made any payments relating to such indemnification.

Net income (loss) from discontinued operations is composed of the following:

	Three Months Ended June 30		**Six Month Ended June 30**	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Management service fees	-	333,333	166,667	333,333
Project expenses	-	5,363	-	112,407
Exploration expenses	-	203,994	-	918,640
General and administrative expenses	2,500	363,465	7,367	819,574
Income (loss) from discontinued operations before non-controlling interest	(2,500)	(239,489)	159,300	(1,517,288)
Gain on sale of discontinued operations	-	3,828,513	-	3,828,513
Non-controlling interest	375	(502,823)	(23,895)	(311,153)
Net income (loss) from discontinued operations	(2,125)	3,086,201	135,405	2,000,072

The assets and liabilities of discontinued operations presented on the consolidated balance sheets are comprised of the following:

	June 30, 2010	**December 31, 2009**
	$	**$**
Assets		
Total assets	-	-
Liabilities		
Total liabilities	-	-

5. INVESTMENT

The Company recorded equity losses of $91,523 and $139,177 for the three and six months ended June 30, 2009, respectively, in connection with its 15% equity interest in the earnings of the affiliated company GFPI-USA, LLC, a private company engaged in the exploration and development of oil and gas properties primarily in the United States. On January 1, 2010 the Company entered into an Amending and Assigning Agreement with RCH Energy Opportunity Fund II and RCH Energy Opportunity Fund III (collectively "RCH"). The terms of the agreement were that the Company transferred 100,000 Class A Units in the GFPI-USA, LLC entity to the RCH funds for the termination of RCH's option to participate at 15% in international business opportunities generated by the Company and the requirement that certain officers and directors maintain a controlling interest in Greenfields. The impact of this agreement on the Company is that the ownership interest in the GFPI-USA, LLC entity was reduced from 15% to 5% effective January 1, 2010 and the Company is released from ownership restrictions so it can pursue various financing options for its international projects. As a result of the reduced ownership interest in the GFPI-USA, LLC affiliate, the Company recorded a $217,390 reduction in the carrying value of the investment and changed the accounting method to account for this investment from the equity method to the cost method, effective January 1, 2010. Using the cost method of accounting will result in changes in investment balance only when additional equity contributions are made or when it is determined that the fair market value of the investment is less than the book value of the investment. For the six months ended June 30, 2010, the Company invested an additional $182,127, representing its 5% share of the Phase III drilling program currently being executed by GFPI-USA, LLC. At June 30, 2010, the Company has determined that there is no impairment in the value of this investment.

6. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	June 30, 2010 $	December 31, 2009 $
Office equipment and software	25,360	1,523
Leasehold improvements	13,997	8,085
	39,357	9,608
Accumulated depreciation and amortization	(6,005)	(1,432)
	33,352	8,176

For the three and six months ended June 30, 2010 (December 31, 2009 – nil), the Company did not capitalize any general and administrative expenses.

7. RELATED PARTY TRANSACTIONS

Prior to January 1, 2010, GFPI was considered a related party by virtue of the Company's significant influence over GFPI. Due to the loss of significant influence over GFPI on January 1, 2010, the parties are no longer considered related for accounting purposes. For the three and six months ended June 30, 2009, the Company recorded $109,998 and $213,332, respectively, in management service fees charged to GFPI. The Company also recorded credits for direct and indirect general and administrative expenses of $144,550 and $273,781, respectively, charged to GFPI for the three and six months ended June 30, 2009. At June 30, 2009, the Company had $176,265 in accounts receivable due from GFPI related to unsettled management service fees and G&A charges.

8. NOTES PAYABLE

In February 2009, the Company entered into a short term bridge loan agreement in the amount of $415,000 with an unrelated third party. The bridge loan was secured by the Company's unit holdings in GFPI-USA, LLC and bore interest at the six month LIBOR interest rate plus 4%, which equated to an annual interest rate of 5.75% per annum. The principal amount of the notes of $415,000 together with interest of $4,186 was repaid on April 28, 2009.

In June 2008, the Company entered into loan agreements with two officers of the Company whereby the officer's loaned the Company a total of $802,872. The loans were unsecured and bore interest at a rate of 4%

per annum payable only when the notes are repaid. The principal amount of the notes of $802,872 together with interest of $29,069 was repaid to the officers in April, 2009.

9. INCOME TAXES

On February 19, 2010, the Company converted to a State of Delaware corporation and became subject to income tax on calculated taxable income. The Company recorded an estimated future income tax asset of $390,720 and $519,023 for the three and six months ended June 30, 2010, respectively, which represented the estimated future income tax asset derived from the Company's operations from February 19, 2010 to June 30, 2010. Prior to the February 19, 2010, the Company was not subject to income tax as it had elected to be taxed as a partnership for income tax reporting purposes and the income or loss of the Corporation was included in the income tax returns of the individual members.

10. SHARE CAPITAL

On February 19, 2010, the Company was a State of Texas Limited Liability Company with issued and outstanding membership units. On February 19, 2010, the Company converted to a State of Delaware corporation, changed it name to Greenfields Petroleum Corporation and converted its issued and outstanding units to common shares of the Company.

Authorized

49,900,000 Common Shares with a $0.001 Par Value

100,000 Preferred Shares with a $0.001 Par Value

Issued and Outstanding

	Number of Units	Amount $
Membership Units		
Balance, December 31, 2009	6,450,000	4,255,000
Issued pursuant to long term incentive plan	500,000	330,000
Value of unvested restricted units	-	(175,725)
Distributions to unitholders	-	(3,600)
	6,950,000	4,405,675
Conversion to common shares	(6,950,000)	(4,405,675)
Balance, June 30, 2010	-	-

Common Shares	Number of Shares	Common Stock $	Paid-in Capital $	Restricted Shares $	Total $
Balance, December 31, 2009	-	-	-	-	-
Common shares issued upon conversion in exchange for cancellation of membership units	6,950,000	6,950	4,574,450	(147,881)	4,433,519
Issued pursuant to private placement	1,000,000	1,000	3,485,504	-	3,486,504
Share issue costs	-	-	(345,276)	-	(345,276)
Issued as private placement broker commission	60,000	60	209,130	-	209,190
Balance, June 30, 2010	8,010,000	8,010	7,923,808	(147,881)	7,783,937
Total paid-in capital and restricted shares					7,775,927

On February 24, 2010, the Company completed a private placement of 1,000,000 Units at Canadian $5.00 per unit, each Unit consisting of one common share and one-half of one warrant. Each whole warrant entitles the holder to acquire one common share at a price of Canadian $5.00 per share until February 24, 2012. The Company immediately converted the Canadian $5,000,000 proceeds to U.S. dollars totaling $4,733,504 and after incurring cash share issue costs of $184,774, the Company received net proceeds of $4,548,730. The $4,733,504 gross cash proceeds from the private placement were allocated $3,486,504 to the common shares and $1,247,000 to the 500,000 full warrants issued in the private placement. An aggregate of 60,000 compensation units were issued to the brokers as commission pursuant to the private placement. Each compensation unit is comprised of one common share and one-half of one warrant.

The original value of $175,725 in unvested restricted shares consists of 266,250 restricted units issued to officers, employees, and contractors originally as unit grants at $0.66 per unit as part of the Company's "Long Term Incentive Plan" ("LTIP") on February 2, 2010, which was subsequently cancelled after completion of the initial grant program. Upon conversion of the Company from a Texas Limited Liability Company to a Delaware corporation on February 19, 2010, all units were converted to common shares of the Company, including the 266,250 unvested restricted units which were also converted to 266,250 unvested, restricted common shares. Under the original Unit Grant Agreement, the grantee is restricted from trading the restricted shares with third parties over the vesting period and the unvested shares are subject to forfeiture if the service requirements under the agreement are not met. The majority of the restricted shares vest over a three year period beginning on the first anniversary date of the original grant on February 2, 2011, and vest at 25% of the original grant per year. The Company will amortize this balance on a straight-line basis over the vesting period of the restricted shares. For the three and six months ended June 30, 2010, the Company amortized $27,844 of the balance in unvested restricted shares, reducing the unamortized balance at June 30, 2010 to $147,881.

Loss per common share is calculated using the weighted average number of common shares outstanding during the period as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(Loss) Income Per Share	**2010**	**2009**	**2010**	**2009**
Weighted average common shares outstanding during the period - basic	8,010,000	6,450,000	7,605,359	6,450,000
Effect of warrants	-	-	-	-
Weighted average common shares outstanding during the period - diluted	8,010,000	6,450,000	7,605,359	6,450,000
Net (loss) income per share - basic and diluted	($0.11)	$0.42	($0.24)	$0.24

For the three and six months ended June 30, 2010, all outstanding warrants are anti-dilutive and have been excluded in calculating diluted per share figures.

For the three and six months ended June 30, 2009, the Company had no dilutive securities outstanding.

Warrants

	Number of Warrants	Weighted Average Exercise Price (Cdn $)	Amount $
Balance, December 31, 2009	-	-	-
Issued pursuant to private placement	500,000	$5.00	1,247,000
Warrant issue costs, net of tax	-	-	(123,507)
Issued as private placement broker commission	30,000	$5.00	74,820
Balance, June 30, 2010	530,000	$5.00	1,198,313

The value of the one-half share purchase warrant was calculated using the Black-Scholes pricing analysis model over the 24 month term of the warrant with a 0.87% interest rate based on 2 year term US treasury's and a 104% volatility calculated on a composite of six TSX traded companies with similar company profiles over a 90-day trading cycle. The calculated value was $1.2470 per one-half warrant which, reduced from the $4.7335 U.S. dollar realized price per unit from the private placement, resulted in a common share price of $3.4865 and a full warrant value of $2.494. The 60,000 compensation units issued to the brokers as commission were valued at the $4.7335 per unit price as the private placement for a total of $284,010 in non-cash commission cost which was allocated $209,190 to the 60,000 common shares and $74,820 to the 30,000 warrants issued to brokers.

11. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items related to continuing operations	**Three Months Ended June 30, 2010 $**	**Six Months Ended June 30, 2010 $**
Change in accounts receivable	43,525	56,475
Change in prepaid expenses and deposits	(15,564)	(5,819)
Change in accounts payable and accrued liabilities	73,340	345,948
	101,301	396,604
Relating to:		
Operating activities	101,301	15,441
Investing activities	-	-
Financing activities	-	381,163
	101,301	396,604
Cash interest paid	-	-
Cash taxes paid	-	-

Changes in non-cash working capital items related to continuing operations	**Three Months Ended June 30, 2009 $**	**Six Months Ended June 30, 2009 $**
Change in accounts receivable	(156,882)	83,931
Change in prepaid expenses and deposits	(9,050)	(5,797)
Change in accounts payable and accrued liabilities	(182,302)	(95,226)
Change in interest payable on related party notes	(28,912)	(18,313)
Change in income taxes payable	(8,208)	(8,208)
	(385,354)	(43,613)
Relating to:		
Operating activities	(385,354)	(43,613)
Investing activities	-	-
Financing activities	-	-
	(385,354)	(43,613)
Cash interest paid	33,256	33,256
Cash taxes paid	8,208	8,208

12. CASH AND CASH EQUIVALENTS

The Company periodically invests its idle cash in investments and deposits with maturity dates of less than three months. At June 30, 2010 and December 31, 2009, the Company did not have any of its cash balances invested in cash equivalents.

13. NON-CONTROLLING INTEREST

The Company owns an 85% controlling interest in Greenfields Petroleum (Indonesia) Company Ltd. ("Greenfields Indonesia"), a British Virgin Islands company. Greenfields Indonesia was the parent company of Greenfields Petroleum (Lahat) Company which was divested of in April, 2009 and its operations classified as discontinued operations in the consolidated statement of operations. Greenfields Petroleum (Lahat) Company's earnings are reflected in the Company's income (loss) from discontinued operations and adjusted to reflect the portion attributable to the non-controlling interest.

14. COMMITMENTS AND CONTINGENCIES

The Company has committed to a lease of office space expiring in June 2012 and various leases relating office equipment expiring in 2010. The following table outlines the Company's estimated lease commitments over the term of the agreements:

	$
2010	46,226
2011	93,698
2012	48,360
2013	-
2014	-
Thereafter	-
	188,284

As part of an operating agreement, the Company has contractual commitments to GFPI-USA, LLC to contribute up to $1,500,000 to a Texas Limited Liability Company which the Company has a 5% equity interest in (note 5). As at June 30, 2010, the Company had contributed a total of $1,458,980 of this committed amount.

The Company has been contacted by a former consultant claiming rights to a referral fee in the form of a small interest in Greenfields Petroleum International Company Ltd. the wholly-owned subsidiary of the Company that owns a 33.33% interest in Bahar Energy. Management of the Corporation believe the claim is without merit, but have engaged in discussions in an attempt to resolve his concerns.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed to the following risks in respect to certain of the financial instruments held:

a) Credit risk

Credit is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from subsidiaries for services performed under certain administrative services agreements. The Company's current accounts receivable balances consist of outstanding amounts from the entity the Company has an equity interest in. The Company historically has not experienced any collection issues with its accounts receivable and does not have an allowance for doubtful accounts at June 30, 2010 or December 31, 2009.

Cash and cash equivalents consist of bank balances and short term deposits held in a major United States bank. The Company manages the credit exposure related to short term investments by selecting counterparties based on credit rating and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper.

The maximum credit exposure associated with cash and cash equivalents and accounts receivable is the carrying value.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as much as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions without incurring unacceptable losses, relinquishment of properties or risking harm to the Company's reputation.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary to provide current cash flow estimates. The Company also utilizes authorizations for expenditures on projects to further manage capital expenditures. To facilitate the capital expenditure program, the Company has raised debt and capital through the issuance of units. Additional financing will be required to complete planned capital programs.

The Company's financial liabilities as at June 30, 2010, consists of accounts payable and accrued liabilities due within one year. Currently, the Company does not have any bank debt.

c) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Company has minimal exposure to foreign currency fluctuations as a significant portion of the Company's transactions are denominated in the United States dollar and the Company holds all its excess cash in the United States dollar.

As at June 30, 2010, the Company had no forward exchange contracts in place.

d) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. The Company is exposed to commodity prices for crude oil which are impacted by world economic events that dictate the levels of supply and demand.

At June 30, 2010, the Company has no outstanding financial instruments, financial derivatives, or physical delivery contracts subject to commodity price risk.

Fair value of financial instruments

Due to the short term nature of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, their carrying values approximate their fair values.

16. CAPITAL DISCLOSURE

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company ensures as much as possible that it will have sufficient liquidity to meet liabilities when due. The Company considers its capital structure to include working capital and shareholders' equity. In order to maintain or adjust the capital structure, the Company may from time to time issue common stock or other securities, sell assets or adjust its capital spending to manage current and projected working capital levels. The following table below outlines the composition of the Company's capital structure:

	June 30, 2010 $
Working capital	3,223,229
Shareholders' equity	4,568,920

The Company is not subject to any externally imposed capital requirements.

17. SUBSEQUENT EVENTS

On August 31, 2010 the Company granted 986,000 stock options to officers, directors, employees and consultants of the Company in accordance with the Company stock option plan. The exercise price of the stock options is CDN$6.50 per Common Share and they expire on August 31, 2020. The stock options vest as to 25% on the date of grant and on 25% each of May 1, 2011, May 1, 2012 and May 1, 2013, except for stock options issued to Mark N. Witt, which vest as to 25% on August 31, 2010 and 25% on each of the first, second and third anniversaries of February 1, 2010.

On September 14, 2010, the Company completed the September 2010 Private Placement involving the issuance of 1,984,077 Common Shares at a price of CDN$6.50 per share for gross proceeds of approximately CDN$12,896,500 (approximately CDN$12,015,185 after deduction of the agents fee and third party costs of the September 2010 Private Placement). Pursuant to the September 2010 Agency Agreement, the Company has agreed with the Agents that, if the Company does not list the Common Shares on a recognized Canadian stock exchange, or complete a transaction that as a result, all or substantially all of the outstanding Common Shares are exchanged for cash or securities of another issuer listed on a recognized stock exchange, by March 31, 2011, the subscribers will be entitled to receive one tenth of an additional Common Share in respect of each Common Share purchased in the September 2010 Private Placement. In addition, the Company also agreed that in the event that the Common Shares issued pursuant to the IPO are offered at a price which is less than $6.50 per share (the "Share Price"), the Company shall issue to each subscriber under the September 2010 Private Placement such number of additional Common Shares as is equal to the difference between the amount by which the Share Price exceeds the IPO Price, divided by the IPO Price.

On April 27, 2010, the Azerbaijan Parliament, also referred to as Milli Mejlis, ratified the Exploration, Rehabilitation, Development and Production Sharing Agreement (the "ERDPSA") with the State Oil Company of Azerbaijan ("SOCAR") and its affiliate SOCAR Oil Affiliate ("SOA") in respect of the offshore block known as the Bahar Project, which project consists of the Bahar Gas Field and the Gum Deniz Oil Field. On September 29, 2010, the Company was notified by SOCAR that all conditions precedent of the ERDPSA were satisfied and the ERDPSA became effective as at October 1, 2010.

On October 1, 2010, Bahar Energy, a subsidiary of the Company, entered into a joint operating agreement (JOA) with SOA and Bahar Energy Operating Company (BEOC) for the purpose of regulating operations under the ERDPSA.

Post balance sheet date, BEOC as agent on behalf of the contractors to the ERDPSA, Bahar Energy and SOA, has entered into the following agreements which are effective October 1, 2010:

- An oil sales agreement with SOCAR as the buyer for the sale of oil from the ERDPSA. Pursuant to this oil Sales agreement, SOCAR will purchase the oil and sell equivalent oil (on behalf of Bahar Energy) at the export point as part of a larger lots of SOCAR's export oil. Bahar Energy will sell the oil at the same price that SOCAR receives as the sale price under its export contract, less a one percent (1%) commission and costs, including transportation, not to exceed certain specified amounts. This oil sales agreement may be terminated by either party upon fourteen (14) days advance notice.
- A natural gas sales agreement with SOCAR as the buyer for the sale of gas from the ERDPSA. The five year take or pay Bahar Gas Sales Agreement commenced on October 1, 2010 and is renewable by mutual agreement. The agreement provides for a minimum gas price of US$140 per 1000 standard cubic meters (approximately US$3.96 per Mcf) with a three year "Buildup Period" and two year "Firm Period". The gas price is not subject to escalation over the five year term. The first three years of the contract period allow the Contractor Parties to develop the Bahar Gas Field and increase the volume of gas deliveries to the Buyer. All volumes correctly nominated by the Contractor Parties are subject to a take or pay by SOCAR.

  The final two years of the Bahar Gas Sales Agreement are a "Firm Period" in which the daily contract quantity (DCQ) is fixed 180 days before the beginning of the fourth year. All volumes correctly nominated by the Seller up to the DCQ are subject to a take or pay by SOCAR. All excess gas sales requested by SOCAR above the DCQ are priced at contract gas prices.

  If in any month during the term of the agreement, the volume of gas deliveries falls below the DCQ and the Contractor Parties are unable to make up the short fall in the current month, these short fall volumes would be sold to SOCAR at a discount of up to twenty percent below the contract price in the following month.

Pursuant to the terms of an agency agreement dated September 30, 2010, the Company proposes to issue 4,235,000 common shares to the public for estimated proceeds of approximately CDN$33,162,650, after deducting the anticipated agents' commission and estimated expenses of CDN$675,000. The Company also granted an over-allotment option for the issue of up to an additional 635,250 common shares exercisable within a period of 30 days following the closing date of the public offering. If the option is exercised in full the Company would receive estimated additional proceeds of CDN$5,075,647 net of agents’ commission of CDN$323,978.

Consolidated Financial Statements of

GREENFIELDS PETROLEUM CORPORATION
(formerly Greenfields Petroleum, LLC)

For the year ended December 31, 2009 and for the period from inception on November 28, 2007 to December 31, 2008

(In United States Dollars)

Auditors' Report

To Board of Directors of Greenfields Petroleum Corporation (formerly Greenfields Petroleum, LLC):

We have audited the consolidated balance sheet of Greenfields Petroleum Corporation (the "Company") as at December 31, 2009 and the consolidated statements of operations, comprehensive income (loss) and deficit and cash flows for the year ended December 31, 2009. These financial statements are the responsibility of Company management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Greenfields Petroleum Corporation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

"*Deloitte & Touche LLP*"

Chartered Accountants
Calgary, Canada
April 11, 2010 (except for note 16 which is as at November 3, 2010)

GREENFIELDS PETROLEUM CORPORATION
(formerly Greenfields Petroleum, LLC)
CONSOLIDATED BALANCE SHEETS
(In United States Dollars)

As at December 31,	**2009** **$**	**2008** **$**
ASSETS		(unaudited)
Current assets		
Cash and cash equivalents (note 11)	1,326,135	183,938
Accounts receivable	84,758	287,616
Prepaid expenses and deposits	33,117	24,576
Current assets of discontinued operations (note 4)	-	137,841
	1,444,010	633,971
Investment (note 5)	326,085	69,869
Assets of discontinued operations (note 4)	-	1,906,685
Equipment and leasehold improvements (note 6)	8,176	-
	1,778,271	2,610,525
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	94,219	682,797
Related party notes payable (note 7)	-	802,872
Interest payable on related party notes (note 7)	-	18,313
Taxes payable (note 8)	-	8,208
Accounts payable and accrued liabilities from discontinued operations (note 4)	-	351,538
	94,219	1,863,728
Non-controlling interest (note 12)	5,494	209,651
BASIS OF PRESENTATION (note 2)		
COMMITMENTS AND CONTINGENCIES (note 13)		
SUBSEQUENT EVENTS (note 16)		
Members' equity		
Membership units (note 9)	4,255,000	4,300,000
Deficit	(2,576,442)	(3,762,854)
	1,678,558	537,146
	1,778,271	2,610,525

See accompanying notes to the consolidated financial statements

(signed) "John W. Harkins"
John W. Harkins
Director

(signed) "Alex T. Warmath"
Alex T. Warmath
Director

GREENFIELDS PETROLEUM CORPORATION
(formerly Greenfields Petroleum, LLC)
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND DEFICIT
(In United States Dollars)

For the year ended December 31, 2009 and the period from inception on November 28, 2007 to December 31, 2008	**2009** **$**	**2008** **$**
		(unaudited)
Revenue		
Management service fees	176,666	333,340
Interest	664	255
	177,330	333,595
Expenses		
General and administrative	1,395,216	948,742
Depreciation and amortization	1,432	-
Equity loss from investment	270,637	680,131
Interest	14,943	18,313
	1,682,228	1,647,186
Loss from continuing operations before income taxes	(1,504,898)	(1,313,591)
Income tax expense (note 8)	-	8,208
Loss from continuing operations before discontinued operations	(1,504,898)	(1,321,799)
Income (loss) from discontinued operations, net of tax (note 4)	2,691,310	(2,441,055)
Net income (loss) and comprehensive income (loss)	1,186,412	(3,762,854)
Deficit, beginning of period	(3,762,854)	-
Deficit, end of period	(2,576,442)	(3,762,854)
Per unit data (note 9)		
Net loss from continuing operations, basic and diluted	($0.23)	($0.35)
Net income (loss) from discontinued operations, basic and diluted	$0.41	($0.66)
Net income (loss), basic and diluted	$0.18	($1.01)

See accompanying notes to the consolidated financial statements

GREENFIELDS PETROLEUM CORPORATION
(formerly Greenfields Petroleum, LLC)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In United States Dollars)

For the year ended December 31, 2009 and the period from inception on November 28, 2007 to December 31, 2008	**2009** **$**	**2008** **$**
		(unaudited)
Cash and cash equivalents provided by (used in)		
Operating activities		
Net income (loss)	1,186,412	(3,762,854)
Less (add): net (income) loss from discontinued operations	(2,691,310)	2,441,055
Net loss from continuing operations	(1,504,898)	(1,321,799)
Items not affecting cash:		
Equity loss from investment	270,637	680,131
Depreciation and amortization	1,432	-
	(1,232,829)	(641,668)
Net change in non-cash operating working capital related to continuing operations (note 10)	(420,782)	397,126
	(1,653,611)	(244,542)
Cash flow from discontinued operating activities (note 4)	(404,953)	(2,658,133)
	(2,058,564)	(2,902,675)
Financing activities		
Repayment of (proceeds from) notes payable (note 7)	(802,872)	802,872
Proceeds from issuance of member units (note 9)	-	4,300,000
Distributions paid (note 9)	(45,000)	-
Non-controlling interest cash (distributions) contributions	(679,095)	640,426
	(1,526,967)	5,743,298
Investing activities		
Equipment and leasehold improvement purchases	(9,608)	-
Investments in equity investee (note 5)	(526,853)	(750,000)
Proceeds from sale of (investment in) subsidiary (note 4)	5,264,189	(1,906,685)
	4,727,728	(2,656,685)
Change in cash and cash equivalents	1,142,197	183,938
Cash and cash equivalents, beginning of period	183,938	-
Cash and cash equivalents, end of period (note 11)	1,326,135	183,938

See accompanying notes to the consolidated financial statements

1. INCORPORATION AND NATURE OF OPERATIONS

Greenfields Petroleum, LLC was originally incorporated under the laws of the State of Texas as Greenfields Petroleum, Inc. on November 28, 2007 and subsequently converted to Greenfields Petroleum, LLC on April 4, 2008, a State of Texas Limited Liability Company. On February 19, 2010, Greenfields Petroleum, LLC converted to an incorporated Company registered in the State of Delaware and as a result, Greenfields Petroleum, LLC changed its name to Greenfields Petroleum Corporation (the "Company", which refers to Greenfields Petroleum Corporation or its predecessors as the context requires). The Company is engaged in the acquisition, development and production of oil and gas properties with a primary focus on international projects.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Going concern

These financial statements have been prepared on the going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. At December 31, 2009, the Company has a deficit of $2,576,442 and has incurred losses since inception. The Company is in the process of acquiring and developing the rights to oil and gas properties focused primarily in the Republic of Azerbaijan and also has plans to expand its oil and gas assets through further farm-in and acquisitions focusing on previously discovered undeveloped and underdeveloped international oil and gas fields.

The continuing operations of the Company are dependent upon obtaining necessary financing to meet the Company's commitments as they come due and to finance development and production from the properties, the discovery of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production or proceeds from disposition of the oil and gas properties. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values. Management is of the opinion that sufficient working capital will be obtained through the issuance of additional common shares to meet the Company's liabilities and commitments as they come due. However, there can be no certainty that such financing will be obtained.

Basis of presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Investments in affiliated companies in which the Company maintains control, are consolidated in these financial statements. Investments in affiliated companies in which the Company does not have control but exercises significant influence, are accounted for on an equity basis. All inter-company transactions have been eliminated.

The reporting currency of the Company is the United States dollar.

Measurement uncertainty

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated balance sheets as well as the reported amounts of revenues, expenses, and cash flows during the years presented. Such estimates relate primarily to unsettled transactions and events as of the date of the consolidated financial statements. The amounts recorded for depreciation and amortization are based on the estimated useful lives of the assets. Actual results could differ materially from estimated amounts.

Cash and cash equivalents

Cash and cash equivalents include investments and deposits with a maturity of three months or less when purchased.

Accounts receivable

Accounts receivable are recorded based on our revenue recognition policy. Our allowance for doubtful accounts provides for specific doubtful receivables, as well as general counterparty credit risk evaluated using observable market information and internal assessments.

Investments

When the Company determines that it has significant influence in an investment, the investment is accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the Company's pro rata share of post-acquisition earnings of the investee, computed using the consolidation method. The amount of the adjustment is included in the determination of net income and the investment account is also increased or decreased to reflect the Company's share of capital transactions. Profit distributions received or receivable from the investee reduce the carrying value of the investment.

The Company periodically assesses its investments to determine whether there is any indication of impairment. When there has been a loss in value of an investment that is other than a temporary decline, the investment should be written down to recognize the loss. When a reduction to the carrying amount of an investment is required, after applying the impairment test, an impairment loss is recognized equal to the amount of the reduction.

Property, equipment and leasehold improvements

The successful efforts method is used to account for oil and gas exploration and development costs. Under this method, acquisition costs of oil and gas properties and costs of drilling and equipping development wells are capitalized. Exploration well costs are initially capitalized and, if subsequently determined to have not found sufficient reserves to justify commercial production, are charged to dry hole expense. Exploration well costs that have found sufficient reserves to justify commercial production, but those reserves cannot be capitalized as proved, continue to be capitalized as long as sufficient progress is being made to assess the reserves and economic viability of the well and/or related project. All other exploration costs, including geological and geophysical costs and annual lease rentals, are charged to exploration expense when incurred.

Producing properties and significant unproved properties are assessed when events occur that indicate the carrying value of properties may not be recoverable from future cash flows. Any impairment loss is the difference between the carrying value of the asset and its fair value. Fair value is calculated as the present value of estimated expected future cash flows from proved, probable and, as appropriate, possible reserves.

Repairs and maintenance costs are charged as an expense when incurred.

Computer equipment is recorded at cost with straight line depreciation provided for over the estimated useful life of three years. Leasehold improvements are recorded at cost with straight line amortization provided for over the term of the office lease of three years, including an 18 month renewal option.

Depletion, depreciation and amortization

Capitalized costs of proved oil and gas properties are depleted using the unit of production method. For purposes of these calculations, production and reserves of natural gas are converted to barrels on an energy equivalent basis at a ratio of six thousand cubic feet of natural gas for one barrel of oil.

Successful exploratory wells and development costs are depleted over the proved developed reserves. However, to the extent significant developed costs are incurred in connection with proved undeveloped reserves, such costs are excluded from depletion until the reserves are developed.

Income taxes

The Company is not subject to income tax as it has elected to be taxed as a partnership for income tax reporting purposes and the income or loss of the Company is included in the income tax returns of the individual members.

Revenue recognition

Management service fees are management fees received as consideration for providing administrative, operational and technical support to a company the Company has an equity investment in and to the purchaser of its discontinued operations. The management fees are recognized monthly as earned and ultimate collection is reasonably assured.

Interest income is recognized as earned, over the term of the investment.

Leases

The Company classifies leases entered into as either capital or operating leases. Leases that transfer substantially all of the benefits and risks of ownership to us are accounted for as capital leases and are amortized on a straight-line basis over the period of expected use. Rental payments under operating leases are expensed as incurred.

Earnings per unit

Basic per unit amounts are calculated using the weighted average number of membership units outstanding during the period. Diluted per unit amounts are calculated based on the treasury stock method, which assumes that any proceeds obtained on the exercise of in-the-money options, warrants and performance warrants would be used to purchase membership units at the average market price during the period. At December 31, 2009, the Company had no dilutive securities outstanding.

Financial instruments

Financial instruments are measured at fair value on initial recognition of the instrument, into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity investments, available-for-sale financial assets or other financial liabilities.

Subsequent measurement of the financial instruments is based on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. The remaining categories of financial instruments are measured at amortized cost using the effective interest rate method.

Cash and cash equivalents are classified as held-for-trading and measured at fair value which equals the carrying value. Accounts receivable are classified as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities and related party notes payable are classified as other financial liabilities which are measured at amortized cost.

Derivative instruments are carried at fair value and reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Derivatives may be embedded in other financial instruments or contractual arrangements. Derivatives embedded in other instruments are valued as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract, the terms of the embedded derivative are the same as those of a free standing derivative and the combined contract is not held for trading. When an entity is unable to measure the fair value of the embedded derivative separately, the combined contract is treated as a financial asset or liability that is held-for-trading and measured at fair value with changes therein recognized in the statement of operations.

Comprehensive income

Comprehensive income consists of net income and other comprehensive income ("OCI"). OCI includes gains and losses resulting from the foreign exchange translation of our net investments in self-sustaining foreign operations and the effective portion of derivatives used as a hedging item in a cash flow hedge or net investment hedge. Accumulated other comprehensive income ("AOCI") is a separate component of unitholders' equity comprised of the cumulative amounts of OCI. Amounts included in AOCI are reclassified to income when realized. The Company did not have transactions affecting OCI and AOCI for the periods presented.

3. CHANGES IN ACCOUNTING POLICY

On January 1, 2009, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets" issued by the Accounting Standards Board. The new section replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard had no impact on the Company's consolidated financial statements.

On January 1, 2009 the Company adopted CICA EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this EIC had no impact on the Company's consolidated financial statements.

During 2009, CICA Handbook Section 3862, "Financial Instruments – Disclosures" ("Section 3862"), was amended to include enhanced disclosures about inputs to fair value measurement, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are:*Level 1* - Unadjusted quoted prices in active markets for identical assets or liabilities; *Level 2-* Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and *Level 3*-Inputs that are not based on observable market data. The Company's financial instruments measured at fair value on the balance sheets are limited to cash and cash equivalents. Under the new disclosure requirements, cash and cash equivalents are classified as Level 1.

Recent pronouncements

In January 2009, the CICA issued Section 1582, "Business Combinations", which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011, with earlier application permitted. The Company cannot, at this time, assess the impact of the adoption of this standard on the results of operations or financial position of the Company.

In January 2009, the CICA issued Section 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests", which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for non-controlling interest in a subsidiary in consolidated financial statements to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011, with earlier application permitted. The Company does not expect the adoption of this standard to have a material impact on our results of operations or financial position.

International financial reporting standards

The Accounting Standards Board has confirmed the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") will be effective January 1, 2011. The Company is planning to convert to reporting in accordance with IFRS and is currently evaluating the impact that IFRS will have on the Company.

4. DISCONTINUED OPERATIONS

Due to adverse market conditions as a result of the worldwide financial crisis and the desire of the Corporation to focus management time and attention on Azerbaijan, the Company elected to divert its interest in Greenfields Petroleum (Lahat) Company which indirectly owns a 51% working interest through its wholly owned subsidiary, Bunga Mas International Company ("BMIC") in the Bunga Mas PSC in South Sumatra, Indonesia. On April 14, 2009, Greenfields Petroleum (Indonesia) Company Ltd. entered into a sale and purchase agreement with APEC Indonesia Limited pursuant to which it sold Greenfields Petroleum (Lahat) Company to APEC Indonesia Limited for consideration of approximately US$5.3 million, as well as a contingent net profits interest. The contingent net profits interest took the form of a deferred payment agreement dated April 24, 2009, pursuant to which APEC Indonesia Limited agreed to pay Greenfields Petroleum (Indonesia) Company Ltd. a deferred purchase price payment in installments equal to 4% of BMIC's share of the crude oil remaining after the deduction of operating costs (otherwise known under the Bunga Mas PSC as "Profit Oil"), reduced by the amount of certain Indonesian taxes. Payments begin with the first production of Profit Oil from the area of the Bunga Mas PSC, and will terminate when the installment payments total US$8.0 million. To date, no production has yet been realized by BMIC from the area of the Bunga Mas PSC. Greenfields Petroleum (Indonesia) Company Ltd. has agreed to indemnify up to a maximum of US$150,000 to APEC Indonesia Limited in respect of potential future reclamation efforts related to two previously established well locations, if required by the regulatory authorities. Greenfields Petroleum (Indonesia) Company Ltd. has also agreed to indemnify the buyer of Greenfields Petroleum (Lahat) Company for liabilities that might arise in the future for events that transpired during the period Greenfields Petroleum (Indonesia) Company Ltd. held its interest in Greenfields Petroleum (Lahat) Company.The maximum amount of the latter indemnification cannot be reasonably estimated due to its nature nor are such events considered likely. Historically, Greenfields Petroleum (Indonesia) Company Ltd. has not made any payments relating to such indemnification.

Net income (loss) from discontinued operations is composed of the following:

	2009 $	2008 $
Management service fees	1,333,333	-
Project expenses	197,209	273,228
Exploration expenses	918,641	526,539
General and administrative expenses	845,523	2,072,064
Loss from discontinued operations before gain and non-controlling interest	(628,040)	(2,871,831)
Gain on sale of discontinued operations	3,794,289	-
Non-controlling interest	(474,939)	430,776
Net income (loss) from discontinued operations	2,691,310	(2,441,055)

The assets and liabilities of discontinued operations presented on the consolidated balance sheets are comprised of the following

	2009 $	2008 $
Assets		
Accounts receivable	-	137,841
Petroleum properties	-	1,906,685
Total assets		2,044,526
Liabilities		
Accounts payable	-	351,538
Total liabilities		351,538

5. INVESTMENTS

The Company hold a 15% interest in GFPI-USA, LLC, an affiliated company that is engaged in the exploration for and development of oil and gas properties primarily in the United States. The Company has determined that it has significant influence in this investment by virtue of its representation on the board and that the Company has influence over the administration, operations and technical aspects of the investment through a management services agreement. The investment is accounted for using the equity method. The Company initially invested $750,000 in 2008 and a further $526,853 investment was made in 2009. The Company's share of GFPI-USA, LLC's net losses of $270,637 and 680,131 in 2009 and 2008, respectively, has been included in the consolidated statement of operations under equity loss from investment and has been recorded as a reduction in the carrying value of the investment.

The Corporation has a 33.33% indirect ownership in Bahar Energy Limited, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE. On December 22, 2009, Bahar Energy entered into an Exploration, Rehabilitation, Development and Production Sharing Agreement ("ERDPSA") with the State Oil Company of Azerbaijan ("SOCAR") in respect of the offshore block known as the Bahar Project, which project consists of the Bahar Gas Field and the Gum Deniz Oil Field. Bahar Energy has an 80% participating interest and SOCAR Oil Affiliate ("SOA") has a 20% participating interest in the ERDPSA. As of December 31, 2009, there have been no capital investment in or monetary transactions incurred by the Company in Bahar Energy. *See also SUBSEQUENT EVENTS note on ERDPSA approval.*

6. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	2009 $	2008 $
Office equipment	1,523	-
Leasehold improvements	8,085	-
	9,608	-
Accumulated depreciation and amortization	(1,432)	-
	8,176	-

For the year ended December 31, 2009 and 2008, the Company did not capitalize any general and administrative expenses.

7. RELATED PARTY TRANSACTIONS

In June 2008, the Company entered into loan agreements with two officers of the Company whereby the officer's loaned the Company a total of $802,872. The loans were unsecured and bore interest at a rate of 4% per annum payable only when the notes are repaid. The Company accrued interest of $18,313 as at December 31, 2008. The principal amount of the notes of $802,872 together with interest of $29,069 was repaid to the officers in April, 2009.

For the year ended December 31, 2009, Greenfields recorded $176,666 in related party management service fees from the Company's affiliated, company GFPI-USA, LLC, a 47% decrease over the $333,340 recorded for the year ended December 31, 2008. The Company also recorded reimbursement for direct and indirect G&A charged at cost to GFPI-USA, LLC of $680,604 for the year ended December 31, 2009, a 37% increase versus the $496,142 charged for the year ended December 31, 2008. The Company had a receivable balance due from GFPI-USA, LLC of $66,281 at December 31, 2009 versus $121,285 at December 31, 2008, a 45% reduction. Receivable balances between the entities reflect the timing differences between when management service fees and G&A are charged to the affililate versus when amounts due are settled in cash. Since GFPI-USA, LLC relies on the Company for technical and commercial resources, the management service fees charged to GFPI-USA, LLC under the provisions of the Management Services Agreement ("MSA") between GFPI-USA, LLC and the Company are designed to reimburse the Company for the costs of services provided to the affiliate by the two key executives, Alex T. Warmath and Richard E. MacDougal, as well as other general and administrative costs such as geology, engineering and accounting. Indirect G&A costs are prorated and allocated to the affiliate based on quarterly time analysis. Direct expenses charged to the affiliate are based on actual amounts invoiced.

8. INCOME TAXES

The Company is not subject to income tax as it has elected to be taxed as a partnership for income tax reporting purposes and the income or loss of the Company is included in the income tax returns of the individual members.

Prior to the conversion of the Company to a Texas Limited Liability Company in April 2008, the Company recorded and paid income tax expense of $8,208 related to the period ended April 4, 2008 when the Company was taxed as a corporation.

9. MEMBERS' EQUITY

The Company was originally incorporated under the laws of the State of Texas as Greenfields Petroleum, Inc. and subsequently converted to Greenfields Petroleum, LLC on April 4, 2008, a State of Texas Limited Liability Company. On the date of conversion, all outstanding common shares of Greenfields Petroleum, Inc. were converted to membership units in Greenfields Petroleum, LLC.

a) Authorized

An unlimited number of membership units

Issued and outstanding

	Number of shares	Amount $
Common Shares		
Balance, November 28, 2007	-	-
Issued pursuant to private placement	681,230	454,153
Issued as consideration for goods & services provided	207,298	138,199
Redeemed upon conversion to LLC on April 4, 2008	(888,528)	(592,352)
Balance December 31, 2009 and 2008	-	-
Membership Units		
Balance, November 28, 2007	-	-
Issued upon conversion to LLC in exchange for common shares on April 4, 2008	888,528	592,352
Issued pursuant to private placement	5,561,472	3,707,648
Balance, December 31, 2008	6,450,000	4,300,000
Distributions to unitholders	-	(45,000)
Balance, December 31, 2009	6,450,000	4,255,000

Income (loss) per unit is calculated using the weighted average number of unit outstanding during the period.

Income (loss) per unit is calculated as follows:

	2009	2008
Membership Units		
Weighted average units outstanding during the year - basic	6,445,617	3,727,475
Effect of dilutive securities	-	-
Weighted average units outstanding during the year - diluted	6,445,617	3,727,475
Net income (loss) per unit - basic and diluted	$0.18	($1.01)

The membership units and net income (loss) per unit has been adjusted to reflect the unit split on the basis of one and one half (1.5) new units for every one unit previously outstanding, which was completed on January 8, 2010.

For the periods ended December 31, 2009 and 2008, the Company had no dilutive securities outstanding.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital related to continuing operations	2009 $	2008 $
Change in accounts receivable	202,858	(287,616)
Change in prepaid expenses and deposits	(8,541)	(24,576)
Change in accounts payable and accrued liabilities	(588,578)	682,797
Change in taxes payable	(8,208)	8,208
Change in interest payable on related party notes	(18,313)	18,313
	(420,782)	397,126
Relating to:		
Operating activities	(420,782)	397,126
Investing activities	-	-
	(420,782)	397,126
Cash interest paid	33,256	-
Cash taxes paid	8,208	-

11. CASH AND CASH EQUIVALENTS

Although the Company periodically invests its idle cash in investments and deposits with maturity dates of less than three months, at December 31, 2009 and 2008, the Company did not have any of its cash balances invested in cash equivalents.

12. NON-CONTROLLING INTEREST

The Company owns an 85% controlling interest in Greenfields Petroleum (Indonesia) Company Ltd. ("Greenfields Indonesia"), a British Virgin Islands company. Greenfields Indonesia is the parent company of Greenfields Petroleum (Lahat) Company which was divested of in April, 2009 and its operations classified as discontinued operations in the statement of operations. Greenfields Petroleum (Lahat) Company's earnings are reflected in the Company's income (loss) from discontinued operations and adjusted to reflect the portion attributable to the non-controlling interest.

13. COMMITMENTS AND CONTINGENCIES

The Company has committed to a lease of office space expiring in December 2010 and various leases relating office equipment expiring at various dates in 2010 and 2011. The following table outlines the Company's estimated lease commitments over the term of the agreements:

	$
2010	78,681
2011	4,470
2012	-
2013	-
2014	-
Thereafter	-
	83,151

As part of an operating agreement, the Company has contractual commitments to GFPI-USA, LLC to contribute up to $1,500,000 to a Texas Limited Liability Company which the Company has a 15% equity interest in (note 5). As at December 31, 2009, the Company had contributed a total of $1,276,853 of this committed amount.

The Company has been contacted by a former consultant claiming rights to a referral fee in the form of a small interest in Greenfields Petroleum International Company Ltd. the wholly-owned subsidiary of the Company that owns a 33.33% interest in Bahar Energy. Management of the Corporation believe the claim is without merit, but have engaged in discussions in an attempt to resolve his concerns.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed to the following risks in respect to certain of the financial instruments held:

a) Credit risk

Credit is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from subsidiaries for services performed under certain administrative services agreements. The Company's current accounts receivable balances consist of outstanding amounts from the entity the Company has an equity interest in. The Company historically has not experienced any collection issues with its accounts receivable and does not have an allowance for doubtful accounts at December 31, 2009 or 2008.

Cash and cash equivalents consist of bank balances and short term deposits held in a major United States bank. The Company manages the credit exposure related to short term investments by selecting counterparties based on credit rating and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper.

The maximum credit exposure associated with cash and cash equivalents and accounts receivable is the carrying value.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as much as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions without incurring unacceptable losses, relinquishment of properties or risking harm to the Company's reputation.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary to provide current cash flow estimates. The Company also utilizes authorizations for expenditures on projects to further manage capital expenditures. To facilitate the capital expenditure program, the Company has raised debt and capital through the issuance of units. Additional financing will be required to complete planned capital programs.

The Company's financial liabilities as at December 31, 2009, consists of accounts payable and accrued liabilities due within one year. Currently, the Company does not have any bank debt.

c) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Company has minimal exposure to foreign currency fluctuations as a significant portion of the Company's transactions are denominated in the United States dollar and the Company holds all its excess cash in the United States dollar.

As at December 31, 2009, the Company had no forward exchange contracts in place.

d) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. The Company is exposed to commodity prices for crude oil which are impacted by world economic events that dictate the levels of supply and demand.

At December 31, 2009, the Company has no outstanding financial instruments, financial derivatives, or physical delivery contracts subject to commodity price risk.

Fair value of financial instruments

The fair values of financial instruments as at December 31, 2009 and 2008 are disclosed below by financial instrument category as follows:

Financial Instrument	December 31, 2009 Fair Value	December 31, 2008 Fair Value
Assets held for trading		
Cash and cash equivalents	1,326,135	183,938
Loans and receivables		
Accounts receivable	84,758	287,616
Other financial liabilities		
Accounts payable and accrued liabilities	94,219	682,797
Interest payable on related party loans	-	18,313

Due to the short term nature of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and interest payable on related party loans, their carrying values approximate their fair values.

15. CAPITAL DISCLOSURE

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company ensures as much as possible that it will have sufficient liquidity to meet liabilities when due. The Company considers its capital structure to include working capital and members' equity. In order to maintain or adjust the capital structure, the Company may from time to time issue membership units or other securities, sell assets or adjust its capital spending to manage current and projected working capital levels. The following table below outlines the composition of the Company's capital structure:

	2009 $
Working capital	1,349,791
Members' equity	1,678,558

The Company is not subject to any externally imposed capital requirements.

16. SUBSEQUENT EVENTS

On January 1, 2010 the Company entered into an Amending and Assigning Agreement with RCH Energy Opportunity Fund II and RCH Energy Opportunity Fund III (collectively "RCH"). The terms of the agreement were that the Company transferred 100,000 Class A Units in the GFPI-USA, LLC entity to the RCH funds for the termination of RCH's option to participate at 15% in international business opportunities generated by the Company and the requirement that certain officers and directors maintain a controlling interest in Greenfields. The impact of this agreement on the Company is that the ownership interest in the GFPI-USA, LLC entity was reduced from 15% to 5% effective January 1, 2010 and the Company is released from ownership restrictions so it can pursue various financing options for its international projects.

On January 8, 2010, the Company authorized and completed a split of its issued and outstanding membership units on the basis of one and one half (1.5) new units for every one unit currently outstanding. Following the unit split, the Company had 6,450,000 units outstanding.

On January 8, 2010, the board approved a Long Term Incentive Plan ("LTIP") for employees, officers and directors of the Company. A total of 500,000 units were approved for issuance on February 1, 2010 and were granted on February 2, 2010. A total of 233,750 units were granted to board members, officers, employees and contractors of the Company fully vested when granted. The remaining 266,250 units were granted to employees, officers and contractors of the Company with a majority vesting at one third (1/3) per year beginning on the first anniversary of the date of grant. The Long Term Incentive Plan was subsequently terminated by the board on April 7, 2010.

On February 19, 2010, the Company effected the conversion of the Company from a Texas Limited Liability Company to an incorporated company registered in the State of Delaware. As a result of this change, the Company changed its name to Greenfields Petroleum Corporation.

On February 24, 2010, the Company closed a private placement equity financing for total gross proceeds of CDN$5,000,000. The Company issued 1,000,000 units at CDN$5.00 per unit. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at CDN$5.00 per share and can be exercised in whole or in part at any time prior to the expiration date on February 24, 2012. The Company immediately converted the proceeds to U.S. dollars totaling $4,733,504. The Company issued an additional 60,000 units representing commissions to the brokers of the placement. The units issued to the brokers have the same terms and conditions as the private placement.

On April 27, 2010, the Azerbaijan Parliament, also referred to as Milli Mejlis, ratified the Exploration, Rehabilitation, Development and Production Sharing Agreement (the "ERDPSA") with the State Oil Company of Azerbaijan ("SOCAR") and its affiliate SOCAR Oil Affiliate ("SOA") in respect of the offshore block known as the Bahar Project, which project consists of the Bahar Gas Field and the Gum Deniz Oil Field. The remaining conditions precedent for the ERDPSA include completion in a manner satisfactory to Bahar Energy and SOCAR of an inventory of wells and equipment to be used by the Contractor Parties, and execution of the Bahar Gas Sales Agreement. The inventory will establish which of the assets the Company will use in its operations and which of the assets will not be used by the Company and remain the responsibility of SOCAR.

On August 31, 2010 the Company granted 986,000 stock options to officers, directors, employees and consultants of the Company in accordance with the Company stock option plan. The exercise price of the stock options is CDN$6.50 per Common Share and they expire on August 31, 2020. The stock options vest as to 25% on the date of grant and on 25% each of-May 1, 2011, May 1, 2012 and May 1, 2013, except for stock options issued to Mark N. Witt, which vest as to 25% on August 31, 2010 and 25% on each of the first, second and third anniversaries of February 1, 2010.

On September 14, 2010, the Company completed the September 2010 Private Placement involving the issuance of 1,984,077 Common Shares at a price of CDN$6.50 per share for gross proceeds of approximately CDN$12,896,500 (approximately CDN$12,015,185 after deduction of the agents fee and third party costs of the September 2010 Private Placement). Pursuant to the September 2010 Agency Agreement, the Company has agreed with the Agents that, if the Company does not list the Common Shares on a recognized Canadian stock exchange, or complete a transaction that as a result, all or substantially all of the outstanding Common Shares are exchanged for cash or securities of another issuer listed on a recognized stock exchange, by March 31, 2011, the subscribers will be entitled to receive one tenth of an additional Common Share in respect of each Common Share purchased in the September 2010 Private Placement. In addition, the Company also agreed that in the event that the Common Shares issued pursuant to the IPO are offered at a price which is less than $6.50 per share (the "Share Price"), the Company shall issue to each subscriber under the September 2010 Private Placement such number of additional Common Shares as is equal to the difference between the amount by which the Share Price exceeds the IPO Price, divided by the IPO Price.

On September 29, 2010, the Company was notified by SOCAR that all conditions precedent of the ERDPSA were satisfied and the ERDPSA became effective as at October 1, 2010.

On October 1, 2010, Bahar Energy, a subsidiary of the Company, entered into a joint operating agreement (JOA) with SOA and Bahar Energy Operating Company (BEOC) for the purpose of regulating operations under the ERDPSA.

Post balance sheet date, BEOC as agent on behalf of the contractors to the ERDPSA, Bahar Energy and SOA, has entered into the following agreements which are effective October 1, 2010:

- An oil sales agreement with SOCAR as the buyer for the sale of oil from the ERDPSA. Pursuant to this oil Sales agreement, SOCAR will purchase the oil and sell equivalent oil (on behalf of Bahar Energy) at the export point as part of a larger lots of SOCAR's export oil. Bahar Energy will sell the oil at the same price that SOCAR receives as the sale price under its export contract, less a one percent (1%) commission and costs, including transportation, not to exceed certain specified amounts. This oil sales agreement may be terminated by either party upon fourteen (14) days advance notice.
- A natural gas sales agreement with SOCAR as the buyer for the sale of gas from the ERDPSA.

The five year take or pay Bahar Gas Sales Agreement commenced on October 1, 2010 and is renewable by mutual agreement. The agreement provides for a minimum gas price of US$140 per 1000 standard cubic meters (approximately US$3.96 per Mcf) with a three year "Buildup Period" and two year "Firm Period". The gas price is not subject to escalation over the five year term. The first three years of the contract period allow the Contractor Parties to develop the Bahar Gas Field and increase the volume of gas deliveries to the Buyer. All volumes correctly nominated by the Contractor Parties are subject to a take or pay by SOCAR.

The final two years of the Bahar Gas Sales Agreement are a "Firm Period" in which the daily contract quantity (DCQ) is fixed 180 days before the beginning of the fourth year. All volumes correctly nominated by the Seller up to the DCQ are subject to a take or pay by SOCAR. All excess gas sales requested by SOCAR above the DCQ are priced at contract gas prices.

If in any month during the term of the agreement, the volume of gas deliveries falls below the DCQ and the Contractor Parties are unable to make up the short fall in the current month, these short fall volumes would be sold to SOCAR at a discount of up to twenty percent below the contract price in the following month.

Pursuant to the terms of an agency agreement dated September 30, 2010, the Company proposes to issue 4,235,000 common shares to the public for estimated proceeds of approximately CDN$33,162,650, after deducting the anticipated agents' commission and estimated expenses of CDN$675,000. The Company also granted an over-allotment option for the issue of up to an additional 635,250 common shares exercisable within a period of 30 days following the closing date of the public offering. If the option is exercised in full the Company would receive estimated additional proceeds of CDN$5,075,647 net of agents' commission of CDN$323,978.

SCHEDULE A

FORM 51-101F2

REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES
EVALUATOR OR AUDITOR

To the board of directors of Greenfields Petroleum Corporation (the "Company"):

1. We have evaluated Bahar Energy Limited's ("Bahar Energy") reserves data effective as at April 1, 2010, of which the Company owns a 33.33% interest. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at April 1, 2010 estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of Bahar Energy evaluated by us for the period ended March 31, 2010, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management:

			Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)			
Independent Qualified Reserves Evaluator	**Description and Preparation Date of Evaluation Report**	**Location of Reserves (Country or Foreign Geographic Area)**	**Audited**	**Evaluated**	**Reviewed**	**Total**
Miller and Lents, Ltd.	May 3, 2010	Azerbaijan Republic	-	$371,657,000	-	$371,657,000

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not evaluate.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Executed as to our report referred to above:

George Schaefer, P.E.
Senior Vice President

Miller and Lents, Ltd.
Houston, Texas
United States 77010

November 3, 2010

"*George Schaefer*"
George Schaefer, P.E.
Senior Vice President

SCHEDULE B

FORM 51-101F3

REPORT OF
MANAGEMENT AND DIRECTORS
ON OIL AND GAS DISCLOSURE

Management of Greenfields Petroleum Corporation (the "**Company**") is responsible for the preparation and disclosure of information with respect to Bahar Energy Limited ("**Bahar Energy**") oil and gas activities, of which the Company owns a 33.33% interest, in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at April 1, 2010, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated Bahar Energy's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Company has

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

"John W. Harkins"
John W. Harkins, President and Chief Executive Officer

"Alex T. Warmath"
Alex T. Warmath, Senior Vice President and Chief Technical Officer

"Christopher C. Rivett-Carnac"
Christopher C. Rivett-Carnac, Director

"Garry P. Mihaichuk"
Garry P. Mihaichuk, Director

November 3, 2010

SCHEDULE C

GREENFIELDS PETROLEUM CORPORATION

(the "Corporation")

Audit Committee Charter

April 2010

OVERALL ROLE AND RESPONSIBILITY

The Audit Committee of the Corporation shall:

(a) assist the Board of Directors in its oversight role with respect to:

(i) the quality and integrity of financial information;
(ii) the independent auditor's performance, qualifications and independence;
(iii) the performance of the Corporation's internal audit function, if applicable;
(iv) the Corporation's compliance with legal and regulatory requirements; and

(a) prepare such reports of the Audit Committee required to be included in the Annual Information Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

MEMBERSHIP AND MEETINGS

The Audit Committee shall consist of three or more Directors appointed by the Board of Directors, all of whom shall be independent and unrelated to the Corporation and as such shall not be officers (other than a non-executive Chairman or Corporate Secretary who is not an employee of the Corporation) or employees of or have a meaningful business relationship with the Corporation or any of the Corporation's affiliates or be an immediate family member of any of the foregoing. Each of the members of the Audit Committee shall satisfy the applicable independence and financial literacy requirements of the laws governing the Corporation, the applicable stock exchanges on which the Corporation's securities are listed and applicable securities regulatory authorities.

The Board of Directors shall designate one member of the Audit Committee as the Committee Chair. Each member of the Audit Committee shall be financially literate within the meaning of applicable securities laws and as such qualification is interpreted by the Board of Directors in its business judgment.

STRUCTURE AND OPERATIONS

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall report to the Board of Directors on its activities after each of its meetings at which time minutes of the prior Committee meeting shall be tabled for the Board.

The Audit Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board of Directors for its approval.

The Audit Committee is expected to establish and maintain free and open communication with management and the independent auditor and shall periodically meet separately with each of them.

SPECIFIC DUTIES

Oversight of the Independent Auditor

- Make recommendations to the board for the appointment and replacement of the independent auditor.
- Responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Authority to pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law (currently at least every 5 years).

Financial Reporting

- Review and discuss with management and the independent auditor:

  - prior to the annual audit the scope, planning and staffing of the annual audit,
  - the annual audited financial statements,
  - the Corporation's annual and quarterly disclosures made in management's discussion and analysis,
  - approval of any reports for inclusion in the Corporation's Annual Report, as required by applicable legislation,
  - the Corporation's quarterly financial statements, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be communicated by the independent auditor under applicable review standards,
  - significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements,
  - any significant changes in the Corporation's selection or application of accounting principles,
  - any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies, and
  - other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

- Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

AUDIT COMMITTEE'S ROLE

The Audit Committee has the oversight role set out in this Charter. Management, the Board of Directors, the independent auditor and the internal auditor (if any) all play important roles in respect of compliance and the preparation and presentation of financial information. Management is responsible for compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Corporation's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board of Directors in its oversight role is responsible for ensuring that management fulfills its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of the financial position and results of operations of the Corporation in accordance with Canadian generally accepted accounting principles.

<u>FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS</u>

The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report. The Audit Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefore shall also be funded by the Corporation.

Approval of Audit and Remitted Non-Audit Services Provided by External Auditors

Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Audit Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

Any proposed audit and permitted non-audit services to be provided by the external auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee, in accordance with this Charter. The CFO shall act as the primary contact to receive and assess any proposed engagements from the external auditor.

Following receipt and initial review for eligibility by the primary contacts, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted.

In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.

CERTIFICATE OF THE CORPORATION

November 3, 2010

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

"*John W. Harkins*"
John W. Harkins, Chief Executive Officer

"*Mark N. Witt*"
Mark N. Witt, Chief Financial Officer

On behalf of the Board of Directors

"*Alex T. Warmath*"
Alex T. Warmath, Director

"*Richard E. MacDougal*"
Richard E. MacDougal, Director

CERTIFICATE OF THE PROMOTERS

November 3, 2010

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

"*Richard E. MacDougal*"
Richard E. MacDougal

"*Alex T. Warmath*"
Alex T. Warmath

"*John W. Harkins*"
John W. Harkins

CERTIFICATE OF THE AGENTS

November 3, 2010

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

FIRSTENERGY CAPITAL CORP.

"Robyn T. Hemminger"
Robyn T. Hemminger
Vice President, Corporate Finance

RAYMOND JAMES LTD.

"Edward J. Bereznicki"
Edward J. Bereznicki
Managing Director

HAYWOOD SECURITIES INC.

"David Street"
David Street
Managing Director